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THE
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VOLUME XI

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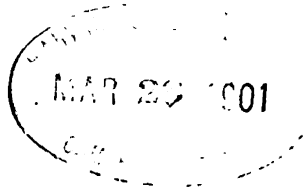
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THE ECONOMIC JOURNAL

MARCH, 1901

FURTHER NOTES ON ECONOMIC ASPECTS OF THE WAR.

IN the issue of this JOURNAL for June last, I made some observations on the economic aspects of the South African war, with the object mainly of pointing out how it was that so little disturbance was being occasioned to this country industrially, and how it happened that even in South Africa itself, outside the immediate area of hostile operations, the war was probably a source of profit to the communities concerned. The really serious loss, as matters then stood, appeared to be that arising from the suspension of the gold-mining industry of the Transvaal, the greater part of the industry of that country. This was a very serious loss indeed, and would be felt by the communities concerned; but in South Africa generally the mitigations resulting from the presence of a large foreign army, buying the produce of the country and giving large employment to labour, were extremely important. I desire now to add some further observations. The war in June last appeared to be approaching its term, but it has been protracted beyond the expectation of the government, or, to be quite accurate, the armed occupation which has necessarily followed has proved to be unexpectedly long and burdensome. The question seems to arise therefore how far, and in what way, this prolongation of hostile operations affects the conclusions of last June, and what new problems may arise in consequence or in connection with the settlement of South Africa after the war?

Substantially the main conclusions above stated remain unaffected. The war, although more serious than many of the
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little wars in which the British Empire has been engaged, has not involved the nation in any serious industrial disturbance. In round numbers we have to keep 200,000 men in South Africa and supply them with ammunition and stores of every kind, mostly brought from a distance, while we have also to support a large number of refugees and prisoners, besides many thousands of the Boer population who are our enemies but who are under our protection. Still, great as the effort is, especially in view of its prolongation, the magnitude of our business is such that no appreciable disturbance has been felt. The numbers of our population diverted from other pursuits either to engage in the war itself as reservists or volunteers, or to engage in the production of things to be consumed by the army, has not been great enough to make a sensible deduction from the ordinary production of the country. So easy is it for us to maintain an army of 200,000 men for any special purpose ! The net loss to the country, again, cannot be more than about £30,000,000 annually, this being the estimated annual value of the production of those who have been diverted from their usual pursuits to the occupations involved in the war. To the government the matter has been more serious ; but the burden on the government is not the same thing as the net loss to the community, and even the government, if the war costs it about £100,000,000 in all—an outside estimate, I believe, allowing for all miscalculations—will not have spent in so doing more than a sixteenth part of one year's aggregate income of the community.

It is equally true that generally the communities of South Africa, apart always from the loss to the Transvaal by the suspension of its main industry, must have been gainers by the war. They have had a great business, that of war, carried on from their territory used as a base, and the distribution of army expenditure amongst them must have enriched many. This is the case in every war, and there is no use keeping the fact in obscurity. The localities which are made the base of warlike operations are always gainers by war. Business in Capetown, Durban, Port Elizabeth, and other centres in South Africa has accordingly been brisk enough, as is shown amongst other things by the way in which imports and exports and the general revenues of the Cape Colony and Natal has been maintained. Why should not business be brisk ? Production in those localities has in no way been interfered with, and they have had a new market for their goods in the supply of the armies amongst them, which replaces obviously any loss they may have sustained from the failure of

the great business of gold-mining in the Transvaal which created markets for them. No doubt in the particular districts of the Transvaal and the Orange State which have now been for about two-thirds of a year the scene of hostile operations, and to some extent in the whole of the Transvaal and the Orange State from the beginning of the war, the account is different. The farming stock of many of the inhabitants has here been destroyed and other injuries occasioned, and the inhabitants have only partially had the advantage of the expenditure of an army of occupation amongst them; but the population of the Cape and Natal, and of other parts of South Africa not included in the two republics, exceeds that of the two republics themselves, and the balance of economic advantages and disadvantages is thus on the favourable side as far as the large majority is concerned.

The conclusion, then, seems to be fully sustained that, dealing with South Africa as a whole, and apart from the suspension of the gold-mining industry, we cannot estimate the loss and damage of the war as a very serious matter. The bulk of the population has not only escaped injury, but many have done very well. If the war on both sides had been carried on with the resources of South Africa, a different balance might have to be struck, but in the actual circumstances and conditions there would seem as yet to be no loss, apart from that loss of life and health which one would not seek to minimise, which will not be easily made good.

The prolongation of the war has, however, accentuated the local distress in places which have been the scene of hostile operations. In particular there are certain parts of the Orange State as well as of the Transvaal over which hostile bodies have moved frequently, commandeering live stock and provisions, and burning farmhouses and other shelters. It is contended that a great deal of "devastation" has taken place, and whatever the quantity of it may be there has no doubt been some devastation. Hundreds and thousands of the Boers have also been taken as prisoners, and thousands of their wives and families, or of the wives and families of Boers on commando, are specially "concentrated" under British protection with their ordinary life and occupations suspended. All this means some loss which has to be considered in addition to the suspension of the gold-mining industry in the Transvaal itself. Still I would point out that losses of this sort, partial and local in their nature, however serious they are to the individuals concerned, hardly qualify the main conclusions of the former article. Probably not more than one-fourth of the whole territory of the Transvaal and

Orange River Colony has been the scene of the frequent marchings and counter-marchings ; I should say not nearly so much as one-fourth ; while the amount of destruction must be only a small percentage of the live stock and annual produce of the two territories concerned. Allowing one ox and five sheep as the annual consumption of each of the 200,000 men in the English army, if they had commandeered the whole from the Transvaal and Orange River Colony, the numbers consumed in about a year would be 200,000 oxen and 1,000,000 sheep only, which I should say, in the absence of Transvaal and Orange River statistics, but judging by a comparison of the statistics of Cape Colony and Natal, would not amount to a fifth of the total stock in the two territories, and not to a twentieth of the total stock in South Africa—to much less, in fact, than the annual increase of the region in question. We know, however, that the English army has not depended on the country for its supplies even in the way of purchase, and the destruction by its commandeering must have been quite infinitesimal. No doubt there is the consumption of the Boer armies as well to be considered, but this consumption would have taken place in any event and is not due to the war. I should doubt very much whether the destruction of cattle and sheep in the Transvaal and Orange River colonies owing to the war amounts even to 50,000 cattle and 200,000 sheep, which may have been worth at the outside about £500,000. There may have been a greater relative destruction of horseflesh, but I doubt this, and perhaps another £500,000 on this account would more than cover the loss which has been mitigated for South Africa by the number of cast-off animals available from the stocks of horses and mules imported for the war. The burning of farm-houses again, even if pretty general throughout the portion of the territories which have been the scene of marchings and counter-marchings, would not involve the burning of more than two or three hundred houses, considering how sparsely settled much of the country is, and £20,000 or thereabouts would cover the damage. The country, in fact, whatever individual losses may have been, has not lost its agricultural equipment through the war, and there is no loss which could not be easily replaced. Nor will the agricultural equipment be lost even if the war should be farther prolonged. Cattle and sheep and horses subsist in those regions without much attention, and the country is in no way eaten up by the hostile armies which pass through it. The subsistence of the Boer prisoners and of the wives and families of Boers under British protection is no doubt a loss, but

it is not a loss to the Boers, and the suffering caused by their imprisonment and "concentration" in any case is not a permanent loss, as it ends with the termination of the war itself.

In connection, however, with the settlement after the war the economic circumstances arising from the imprisonment of so many Boers and the concentration of their wives and families under British protection, and from the limited destruction of farms, farm stock and produce, appear to give rise to a serious difficulty. What is to be done with a population, whether small or large, which has lost its occupation and means of subsistence? In the United States after the great civil war, the economic difficulty in resettling the south was hardly felt. The unemployed population was easily absorbed and disposed of by the great industrial forces at work in the country generally. So it would be in the present case if the population involved were small in every way in proportion to the rest of the population of the Transvaal and Orange River territories, and if there were great industrial forces to act upon it; but the difficulty appears to be all the greater because it is associated with another difficulty of a chronic nature, due to the characteristics of the Boer population as "squatters" and not as farmers in the proper sense of the word, and which was beginning to produce what may be called in the economic sense, a surplus population even before the war. The result is a large unemployed population, speaking relatively, not very ready to take to industrial pursuits, and not very well adapted to do so. The existence of such a population which the war has brought us into contact with, and has to some extent revealed, appears to be the main economic difficulty before us in South Africa. That it is connected with, and to some extent creates, a political difficulty makes it the more formidable, but of course it is with the difficulty in its economic aspect that we are here concerned.

Let us see clearly what the difficulty is. The Boer population, as I have said, principally consists of "squatters" and not farmers in the ordinary sense of the word. There are no doubt farmers in that sense amongst them, people who cultivate the soil and manage dairies and so on, and who live by selling their produce to the adjacent town and village population, and by exporting a little wool, hides and other produce. But the chief people are nevertheless squatters, people who raise and sell stock like the cattle ranchers in the western parts of the United States, or the Australian squatters, with their dependants, but with this

important difference, that the ranchers in America and squatters in Australia have beside them a labouring white population of the same blood as themselves, industrially employed and suited for industry, whereas the Boers depend for such labour upon a black race, and there is no employment at all for people of their own blood except as squatters themselves. We hear, therefore, a great deal of the dependants of the Boer farmers, "*beiwohners*" as they are called, who are really, to a large extent, a surplus population, accustomed to hunt and shoot, and knowing no other occupation than squatting, but for whom there are not farms to go round. The magnitude of this surplus also is really very great relatively, small as the total Boer population in the Transvaal and Orange River territories undoubtedly is. It is difficult for us to realise how few squatters it takes to absorb a country, but the numbers are incredibly small. The Transvaal and Orange territories, large as they are, contain less than 200,000 square miles after all, that is certainly less than 128,000,000 acres, of which probably less than 100,000,000 acres are fit for even pastoral farming; and allowing 10,000 acres to a farm, which South Africans will say is not an excessive allowance, we should not have more than 10,000 farms in the whole of the Transvaal and Orange River Countries. When we hear, therefore, of 50,000 to 60,000 Boers having been under arms, we can well understand that apart from a few thousands of town population forming the police or members of the Boer civil service, and a few thousands of aliens or Cape colonists, the majority of this army were "*beiwohners*" or dependants of the farmers themselves, with no proper occupation except that of squatting, for which there is no more room. It is the future of this population which is now before us. An outlet has hitherto been found for similar classes in the continual trekking of the Boers, and more lately in the incidental effect of the gold-mining industry, which provided employment for some thousands as police or as members of an extravagant civil service; but both these outlets were proving insufficient just before the war, while the effect of the war is to put an end absolutely to both—to the employment as police because we cannot trust the Boers or put arms in their hands, and to trekking because the establishment of our military supremacy means the protection of the natives and the consequent closing of vast regions in Rhodesia and elsewhere to the Boer trekker. In what way, then, should the non-industrial population, which will soon be on our hands in South Africa, be dealt with?

A natural suggestion would be that farms may be successively divided and subdivided, there being room for division, it is assumed, when farms are of 10,000 acres and upwards. But although this may be possible in some cases, it is not to be assumed that units which have been found convenient in the past are capable of division and subdivision. With squatting, farms must apparently be very large if they are to pay at all. If division had been possible profitably we may be quite sure it would have been tried on a large scale long before this with so large a surplus population concerned.

Another suggestion of the same nature is that the farms may be subdivided with the intention of the agriculture becoming mixed, more and more arable cultivation being introduced. But such a process, though it must come in the end, will obviously take a long time, and the doubt seems to be whether a squatting population can become a farming population, with smaller farms than squatters require. At any rate such a change implies a complete transformation in the rural economy of the Boer population of the Transvaal and Orange River States for which that population seems ill-adapted, especially in circumstances where there is no labouring white population alongside the squatter to ease the transition from his character of squatter, lord of a great district, to one of a farmer engaged in a difficult industry and not primarily a hunter, and a soldier. Meanwhile there is always the existing "beiwohner" population to be provided for. What are they to do if hunting and soldiering are not allowed? and what are the similar classes to do who have hitherto been policemen or engaged in some shadowy occupation in the towns and villages?

It is much easier, of course, to state the problem than to state the answer, complicated as it is by "politics." If I may say so, avoiding politics, one lesson of the economics is that the government should make haste to introduce into South Africa as large a population of a mining and industrial character as they can so as to provide for swamping and absorbing a non-industrial population which will be naturally somewhat hard to absorb. Another is, that provision should be made to help a portion of the population difficult to be dealt with to emigrate to other lands where they can begin a new industrial life (their old soldiering and hunting life being at an end), under happier conditions. Humanity counsels this course as well, as we do not wish to make any one a British subject against his will, and many Boers must be too proud to find a place as the equals of others in a land where they

hoped to be supreme. But apart from humanity we shall probably find the economic difficulty so serious that every palliative must be tried. Another suggestion I would make is, that if it can be brought about the Boer population should be dealt with as were the Highlanders in Scotland after 1745, and largely enlisted in the British army. If they will not enlist, *cadit quæstio*; but if they will, the economic difficulty before us would obviously become less formidable.

The principal other topics besides those above referred to dealt with in my former article were (1), the questions of the finance of the war, *i.e.* the rate of interest which the government would have to pay on the loans rendered necessary by the war, and the form of the borrowing, whether by permanent or short loans, or by an increase of the floating debt; (2) the indemnity to be paid by the Transvaal and the Orange River State; and (3) the probable increase of the Army estimates resulting from the deficiency of our preparations for war which the war has brought to light, and which must no longer be suffered to exist. The prolongation of the war has thrown farther light on these questions, and supported the conclusions at which I had arrived.

As far as the finance of the war is concerned it has become evident enough that, as pointed out in the former article, nothing turns on the form of borrowing adopted. The government has not yet tried the experiment of a permanent loan, being unwilling to increase Consols, but the exigencies of the war have compelled them to increase the floating debt largely as well as to issue the short loans which was the mode of borrowing they seemed to prefer. The effect in both cases is much the same. In a rather difficult money market the government has had to pay something like 3½ per cent. for the money it has required, and it has not saved much by issuing short or terminable loans instead of floating debt in the proper sense of the word. It would probably have saved something more by issuing permanent Consols, but at the cost, no doubt, of a lower price for Consols than it will probably be able to obtain by suspending the issue for a year or two in the hope of a more favourable condition of the money market. The better opinion in the City now is to all appearance in favour of an issue of Consols at the earliest convenient date, such issue to provide for the conversion of the temporary loans, or that portion of them which is not to be charged on South Africa. This will be the soundest course. The larger the

security the better the market, and the better the price for the issuer, and there is no use attempting to obtain a better price for special loans by means of some financial conjuring.

As far as an indemnity is concerned, the whole subject of finance in the countries we have been at war with is now being investigated by Sir David Barbour, and the public will be content to await his report. But practically the whole question turns on the productivity of the gold mines of the Transvaal. What will be the net profit of those mines, and how much can they be taxed without reducing their maximum productivity? Roughly speaking also, a very high figure must be assigned in answering these questions. Before the war the gross produce was £20,000,000 annually, indicating a net profit of possibly half that amount, and implying an equal net profit from the farming and miscellaneous industries of the country—total £20,000,000; on which taxation of one-fourth or even one-third could be levied, according to the experience of other countries, without reducing the productive power of the community. If the production of the mines should rise to £50,000,000, as there is good reason to believe it will, then taxation of one-fourth, or £12,500,000 could no doubt be levied on the country without any undue pressure. The taxation need not take the form of a royalty on the produce of the mines, which is a mode of taxation justly feared by those interested; but it could be raised by an income tax, falling on other property as well as the mines, and by means of customs and excise duties, as well as estate duties and other kinds of taxes which our own experience shows to be equitable and free from any charge of pressing on the springs of industry. There seems no doubt that allowing for an annual charge of about £5,000,000 for the armed occupation and police of the country, which would be a fair annual charge, enough will remain, provided the gold industry develops, to provide for the civil government of the country and for an annual sum of £2,000,000, which would suffice at 4 per cent. interest for an indemnity of £50,000,000, about as much, probably, as the government will attempt to raise. If the gold industry does not develop, no indemnity can be paid. We must then make the best of a very bad bargain.

As regards the increase of the army and the army estimates, which the revelation of our military deficiencies has rendered necessary, the prolongation of the war has of course helped to render more evident the extent of these deficiencies and the extent of the additions which must be made permanently to our military preparations. If a war like the present is part of the

risk we run by having an Empire, then to meet the risk we should always have at home, or somewhere in the Empire, an adequate force, mostly ready to be sent at a moment's notice, to meet the contingency, and a force behind that ready to fill up the vacancies and maintain the garrisons necessary in other parts of the Empire. The discredit and danger arising from being caught as we were in the autumn of 1899 are so great that at any cost the like must not occur again. We might even have avoided war in 1899 if we had been better prepared. But nothing short of 100,000 men ready to be moved *at once*, with another 100,000 to follow immediately, and more behind, was required, as the event has proved, for the emergency of 1899. Still more, we were especially short of artillery, cavalry, and mounted infantry, the special arms which it is most difficult to prepare, and which it is most costly to maintain. Interpreted in numbers, this means that the numbers usually kept on the home establishment of the army must be more than doubled, and the greater part of the increase should be in artillery and mounted men of some kind. In other words, the army estimates which were just over £20,000,000 before the war, must be raised to £40,000,000 or £50,000,000. Not only is it the more expensive arms that are to be increased, but such an increase means more pay to the individual soldier all round, while further expense must be incurred to promote the efficiency of the militia and volunteers, and equip them with the artillery and mounted men they will also require in order to be efficient. In the army estimates of last year the situation was not recognised, but the prolongation of the war and the increase of the army in order to bring the war to a conclusion have made it clear how enormous the increase must be.

A question arises even, at this point, as to what the actual cost of the present war is. Is not much of the additional outlay for army purposes now going on, as compared with what was going on before the war, really outlay which is not chargeable to the war at all, but outlay required to bring our forces up to a peace standard? If our army was short of proper numbers in 1899 by 200,000 men, why should the whole expense of 200,000 men added since then be charged to the war? Is not the proper cost of the war merely the cost of the actual increase of numbers above a peace standard required to carry it on, plus the cost of transit to the scene of operations and the waste which the war itself involves? By parity of reasoning we cannot properly charge to South Africa the whole cost of the troops actually left in that country when the war is over as the cost of an army of occupa-

tion. It may even be convenient in managing our peace establishment in future that we should maintain a considerable part of it in South Africa as a suitable ground for drill and manœuvres. Being there it would be as serviceable for all the purposes of the empire as if it were at home.

Large as is the addition in prospect to the Army Estimates, it is in no way excessive as compared with the resources of the country. A few years normal increase of our revenue will provide for all that is required. Reorganisation of our system of finance may be expedient, as perhaps it is, but at least there is no doubt about the means.

ROBERT GIFFEN

THE STATISTICS OF MUNICIPAL TRADING

Discussions relating to municipal trading have until recently been chiefly confined to the theoretical aspects of the question. The important issues involved in the policy of permitting local bodies to pledge the public credit for trading ventures, and the political and economic points of inquiry which are raised by the alternative possibilities of making a profit, or selling at cost price, have in the first place demanded attention. There remain the less wide and less fascinating, but still important practical problems of gaining a clear view of the present financial position of our municipal reproductive undertakings, and of examining the nature of the information available on this point. The first part of this question divides itself into two heads: (1) What are the sums actually earned by municipal reproductive undertakings? and (2) are these sums of a nature which would be recognised as true profit in a strict inquiry?

For information on this subject the generally available sources are the annual returns published by the Board of Trade, and a special return for the past five years called for recently by the House of Commons. The task, however, of framing these returns presents many difficulties which cannot be said to have been overcome with great success, and most students who have approached the subject through these channels have probably not pursued their inquiries very far. Recently, the official figures have been brought forward in a manner which makes it impossible to ignore them. So eminent an authority as Sir Henry Fowler has made them the basis of a formal scientific inquiry, and given them not only the consequence which arises from their use in a presidential address before the Statistical Society, but also the weight conveyed by the name of so great an authority on matters of local government. With this impress the official statistics have been widely adopted in the public discussion of the question of municipal trading.

Taking the returns in the first place as they stand, without questioning their value, we are told that during the five years ending March, 1898, municipal trading enterprises have on the average, after providing for repayment of capital, interest, and depreciation, yielded a profit of £370,341, which Sir Henry Fowler places at one-half per cent. on the outstanding debt. Now, given in this way without qualification or explanatory statement, this figure is entirely misleading. The items making up £370,341 are not profit either in the commercial or the popular interpretation of the word. They represent a certain balance after meeting certain charges—nothing more.¹ To understand the nature of this balance, it is necessary to briefly analyse the figures, and for the present purpose we may confine ourselves to gasworks which form the most important branch of this kind of municipal activity. The profit realised by gasworks is without comparison the largest item in the total, and being a true manufacturing business these undertakings can be regarded as more typical than could waterworks, which as regards capital rank first.

The profit stated to be realised by corporation gas-works is given at £370,340.² Now let us examine this figure. If we were investigating the revenue-earning capacity of any ordinary undertaking how should we proceed? Clearly for rough purposes by taking the dividends paid, or the sums divided among partners. What Sir Henry Fowler has done is to take the column of figures in the official return called, it is true, "net profit for year," but representing really the balance arising on revenue account without consideration of the charges for which provision had still to be made at the time of closing the account, and which are detailed in another rubric.³ As every one knows it is a practice constantly

¹ The meaning commonly attached to Sir Henry Fowler's figures may be gathered from such magazine articles as those which have appeared lately by Lord Avebury and Mr. Robert Donald in the *Contemporary Review*. Both writers make perfectly clear that they understand by profit dividend, i.e., sums paid in relief of rates.

² *Municipal Finance and Municipal Enterprise*, by Sir Henry Fowler, page 6. The apparently curious fact that the profit of this one branch is nearly the same as the total profit of all municipal ventures is explained by the loss incurred on several other items, chiefly working class dwellings and baths, &c.

³ See Board of Trade Returns, col. 15, or Parl. Paper (1899), No. 88, col. 15. Depreciation is the only exception. This charge, wherever it is written off after the balance on revenue account had been struck, is deducted from profit and included among the other amounts for depreciation provided among ordinary expenditure. It is unfortunate that, having adopted the correct principle in regard to one of the deductions from the balance of revenue, the same course was not applied throughout. The deductions made amount to £11,152.

adopted in business to bring out a balance which is provisionally called profit, and to leave certain charges for later consideration. Take up at random the annual report of any company to its shareholders and you will find a clause like the following: "The profits for the year have been . . . and the directors recommend that out of this sum there should be set aside for" These recommended payments may be for any objects whatever, and they include, if the concern is prosperous, the dividend to the shareholders, but without further ado to call the whole sum profit may be completely false. In the same way municipal gas works show during the past five years balances on revenue account which on average and after making certain adjustments amount to £370,340, a sum corresponding to the provisional profit mentioned in a report to shareholders. The return in bringing out this amount makes deductions from the figures issued by the Board of Trade amounting in all to about £40,000,¹ but very much more has to come off before true profit is got at. The application of the balances on Revenue Account is as follows:

	£
In relief of rates	281,615
In reduction of price of gas	6,467
Public lighting of streets	1,423
Reserves or sinking funds—for purposes other than repayment of loans	55,861
Renewals and additions	7,640
Depreciation	11,152
Miscellaneous (income tax, repairs, repayment of loans, premiums paid on investments, &c.)	2,491
Not yet applied, or application not stated'	29,716
Carried forward	11,126
Writing off deficits of previous years	6,941
	£414,432
Losses	3,119
Total so-called "net profit"	<u>£411,313</u>

How much, now, of this can be considered as profit? About the first three items there can be no doubt, they are nothing else than "profit divided." They represent money paid out of the concern to, or for behoof of shareholders—the ratepayers. The

¹ As follows: Depreciation, as already explained, £11,152, additional deb charges, £18,593 (£772,585 as against £758,942 given by the Board of Trade). The remaining deduction is for miscellaneous items.

next items are the points in regard to which error has arisen. Reserve funds set aside for various purposes are items of expenditure, not profit. They are an alternative method for meeting heavy charges which it is not desirable, or not possible, to defray as they arise. Depreciation, as explained, is the only charge deducted in the official figures. Outlay incurred on renewals, and addition to plant is also never considered to be profit, although it may be provisionally kept apart for the purpose of considering how much must be paid for out of revenue. Miscellaneous outlays made up chiefly of income tax, repairs, premiums paid on investments, bank interest, and so forth fall under the same head. They are losses, not profits.

The classification of the remaining heads is less obvious. How are the sums to be treated whose application is "not stated"? Is it right to call them all profit? Examining in detail the separate items we find that the total with a single exception is made up of small sums. They represent the surplus realised by the gas works of very unimportant boroughs. Many of the items are under £50, half are below £500. Judging from the manner in which other small concerns, for which the returns are able to give particulars, have applied insignificant surpluses, it appears that most of these balances are not dealt with as a profit which can be taken out of the business, but are applied in writing down plant or in creating a reserve. Many of the very small municipal gas works are, as a matter of fact, not in a financial position to contribute relief to the rates. Taking other and similar cases as a guide we cannot estimate at the very most that more than £10,000 is regarded by the corporations as safe profit. The remainder will be appropriated to the various purposes, which in other boroughs we see swallowing up so large a proportion of the balance on revenue account.¹ About sums "carried forward" no doubts can arise. In the annual accounts these sums are chiefly carried over from one year to another,² and when treating a period of five years and drawing an average it is a mistake to include them in each

¹ In 1897-98, for instance, the balances in revenue account of £1,000 and under, of which we know the application, amounted to £19,048, and out of this £4,346 only was paid over to the rates. In fact the clear profit yielded by municipal gas-works is by no means widely diffused. Of the 87 corporations which contribute the above total of £281,615 in relief of rates, eight by themselves subscribe nearly two-thirds (£160,000). The vast majority just manage to scrape along, paying interest on their loans and making a provision for eventual repayment, but little more.

² For instance, Darlington: profit and loss account begins with balance brought forward £2,084. The sum available at the end of the year is £7,826, of which £5,884 is paid to the rates, and the balance again carried forward.

case. The proper method is to include as profit the balance carried forward at the end of the last year, viz., £7,547, but to deduct the similar sum brought over from the year preceding the period surveyed, viz., £3,957, and to neglect the balances of intervening years. Losses of previous years written off should naturally correspond with the losses actually made, and it would be immaterial whether we deducted the losses or refrained from adding the profits applied in extinguishing them. The losses written off, however, include a large sum belonging to the period before the investigation, which should be eliminated to form a fair estimate of the earning capacity of the works for the five years. I have therefore classed as profit the sums applied in writing off losses, while deducting losses themselves.

Making these adjustments the sum stated as average net profit is brought down to £306,917, the reduction being necessary chiefly in consequence of a practice of sometimes omitting charges against profit from revenue accounts. Further, if the special return showing the averages for five years is correct where it differs from the Board of Trade returns the above figure has still to be reduced by £13,593 at least, (see note on page 14) which would make the net profit £293,324. The same criticism holds good regarding other branches of the official returns. The sums tabulated as "net profit" must not be taken as the actual earnings, for besides paying contributions to the rates, &c., the balance on revenue account is applied in many different ways.¹

The second point must now be considered: Is this "profit" a sum which can be regarded as money truly earned? Writers on public finance have frequently pointed out that governmental bodies who by trading gain a subsidiary revenue, are extremely prone to make their profit appear larger than it really is.² In regard to many items of expenditure doubts may arise whether they should be placed against the particular undertaking, or defrayed out of general taxation. Take, in our case, the charge for salaries. The officials of the borough perform services connected with the management of gas supply, and enable that department to dispense with a portion of the staff they would otherwise re-

¹ See the various returns by the Board of Trade, and the special return for average of five years.

² Lord Avebury has this point in view when he writes, "The municipalities in their return to Parliament show on paper a profit of about $\frac{1}{2}$ per cent., but I confess I doubt whether a sufficient allowance has been made for depreciation, rent, light, proportion of salaries of general staff, law, &c."—*Contemporary Review*, July, 1900.

quire. Is any charge to be made against gas account, and, if so, what amount? Many other opportunities of understating expenditure occur. There are the difficult questions of depreciation, or whether repairs, &c., are fully charged against revenue, and further, in the case of municipal enterprise, the question of the proper repayment of loans. The official returns do not furnish the information for such a minute inquiry. Want of space prevents any payments from being detailed, except debt charges. In order to answer this point I applied to the authorities of the more important local bodies owning gasworks, and was in the most willing manner supplied with about thirty sets of fully detailed accounts¹ relating to the year 1897—1898, which is the last year included in the Special Return ordered recently by the House of Commons.

Taking first the question of salaries, it appears that sixteen only of the local bodies represented made a charge against their gasworks for such outlay. The cost of "Salaries and Management" per 1,000 cubic feet of gas made varies in individual cases from 2·649*d.* to 0·604*d.*, or a proportion of about 1 : 4. Interesting as this point is, it is hardly of much importance, for the expenses of management are comparatively small.

Expenditure on repairs and maintenance is a question involving many difficulties,² and it would not be justifiable to contrast the treatment of this subject by individual corporations during a single year. We may, however, take the total outlay of the thirty municipal gasworks together, and compare this sum with the acknowledged results of general practice and experience. The total charge during the year for repairs and maintenance,

¹ Application was made in all cases where the Board of Trade Return showed a "profit" of over £500, in all about 100 local bodies. The accounts so obligingly furnished include important cities like Manchester, Birmingham, Leeds, &c., and also many small boroughs. It is not improbable that favourable answers to my request were given chiefly by bodies who had reason to be proud of their management, and this fact possibly detracts from the representative value of the figures which follow.

² Charges of management, just dealt with, lend themselves to comparison for two reasons. There is, in the first place, no obvious explanation for wide discrepancies, and where the disparity coincides with the inclusion, or non-inclusion of certain figures, it is legitimate to draw the obvious inference. Secondly, salaries, &c., are not likely to vary much from year to year, and no fundamental error can well arise from taking the figures of a single year. In the case of expenses of maintenance this is not so. Variations from year to year may be caused by extensive renewals, or a thorough overhauling which burdens one period to the relief of another. While in different localities necessary outlay on repairs, &c., varies according to the nature of the soil, the conditions of traffic in the streets, and many other causes. Comparisons of outlay on repairs in any year by individual gasworks are therefore of small value. By taking the total of thirty for one year a useful figure may be obtained.

and for renewals and depreciation,¹ amounted to £568,063, representing 5'22*d.* per 1,000 cubic feet of gas made, which, according to expert opinion, is about the proper proportion of expenditure on this purpose.² This eminently satisfactory state of affairs in regard to an item of expenditure open to considerable difference of opinion, and which by the large borrowing powers of local authorities can very easily be shifted from revenue,³ shows that there is strong ground for hoping that in their trading ventures these bodies are alive to the imperative necessity of charging revenue with a full allowance for maintenance and for renewals, and also that a large number actually perform this duty.

The repayment of loans is a less intricate matter, and as the official returns show this outlay in a separate column, we can deal with the country as a whole on this point. The capital sums⁴ borrowed for gasworks amount to £22,457,591,⁵ and the debt repayment charges to £272,325,⁶ showing a rate of about 1'21 per cent. Whether this is the minimum rate authorised by law it is impossible to tell without knowing the terms under which the various bodies have been permitted to raise the money—mostly embodied in private Acts. It disposes, however, of the

¹ To make further separation is unfortunately impossible owing to the manner of keeping the accounts.

² A great authority on gas accounts, Mr. Alfred Lass, stated in his evidence as skilled witness in one of the many negotiations for the purchase of existing gasworks by local authorities, that 5*d.* to 5½*d.* was, in his opinion, the proper charge for these purposes. He quoted figures showing that for three metropolitan gas companies the proportion worked out at 5*d.*, and for suburban companies at 5 18*d.*

³ For evidence showing the tendency of local bodies to raise loans for the purpose of keeping down their revenue expenditure, see the present writer's article on "Local Finance in Scotland" in this *Journal* for June, 1899. It was there pointed out that Scotch burghs have succeeded in going through thirteen years (the interval between the first Local Taxation Return, Scotland, and 1895—96, the latest information at the time of writing) without raising their rates one farthing, but that their debt has grown from £9,800,000 to £16,600,000, *exclusive* of new debt for reproductive undertakings. Further, taking the year 1895—96 by itself, the revenue amounted to £2,100,000, and the expenditure, of which none could be placed against capital, like police, &c., swallowed up all but a balance of £350,000. This balance was all the revenue provided to meet the outlay connected with services where part of the outlay could be shifted on to capital. For these expensive services—drainage, roads and streets, town property of all descriptions, &c.—the expenditure charged to revenue was £408,000, leaving a deficit for the year; while so-called capital outlay, for which the money was borrowed, amounted to £623,000, and for the two preceding years to £546,000 and to £576,000.

⁴ For the present purpose we must take the original sums borrowed, not the balance outstanding.

⁵ Board of Trade Return, 1897-98, page 36 (including capitalised value of annuities).

⁶ *Ibid.*, page 37, col. 14 (3, 4, and 5) (including sums paid in redemption of annuities).

current belief that municipalities are rapidly repaying their loans. Constantly we meet with the argument that the growth of public debt brought on by municipal trading should be discounted by the fact that the loans are being repaid under statutory provisions. Thirty years is the period popularly believed to be required for this desirable operation.¹ As a matter of fact about three times thirty years will be required if the present rates are maintained.

This inquiry into the nature of the profit realised by municipal gas works shows that while local bodies may be inclined in minor points, as salaries, to refrain from charging their revenue-yielding ventures "up to the hilt" with all applicable expenditure, there is at any rate no ground for fearing that in important matters they are managed otherwise than with business-like prudence. The rate of debt-extinction is lower than is currently supposed, but this is a charge defined by statute.

At the commencement of this paper it was stated that the official statistics relating to municipal trading are not as trustworthy a source of information as might be supposed. In going over the detailed accounts of such boroughs as were willing to supply the information, and comparing them with the official returns, a considerable number of errors both in principle and detail were detected. It must be admitted that the task of making up the returns is by no means simple. It consists practically in boiling down a few hundred Profit and Loss Accounts and Balance Sheets, and to be able to do so with success requires considerable knowledge of commercial usage and some experience in the various methods of book-keeping. It appears extremely doubtful whether this special knowledge is possessed by the framers of the returns. Mistakes due to carelessness, arithmetical blunders, are altogether absent, but errors showing lack of knowledge are so frequent as to affect the general value of the figures. Some instances may be given. The tabulated statements show "Total Receipts" and "Total Expenditure," and by deducting one from the other "Net Profit" is arrived at. In making up these figures the treatment of "Stocks on hand" has led to the utmost confusion. Sometimes stock is taken into account, sometimes not, and in the latter case, as the amounts will of course not balance, the figures

¹ The most recent instance is in Mr. Donald's defence of municipal trading in the August number of the *Contemporary Review*: "The debt is being paid off as fast as it is created. The average period of all loans is probably thirty years. They are redeemed by sinking fund at the end of that period."

are simply made up to suit.¹ It is hardly possible to imagine a more unjustifiable proceeding in tabulating returns which may be used in investigations relating to public affairs. Another frequent source of error is the repayment of Borrowed Capital. These repayments are made partly in ordinary course, partly by the operation of sinking funds. The original capital borrowed less repayments to date gives the balance of indebtedness, and the sinking fund shows the sums on hand for extinguishing loans. The figures relating to Sinking Funds which are taken into the returns represent, however, sometimes the balance of that fund still available,² sometimes the total sums which have in course of years been paid off through its operation.³ Again, instead of stating the total capital borrowed, in some cases the balance of debt is given after deducting repayments⁴ which is naturally a much smaller figure. Debt charges,

¹ This is a highly important, although somewhat technical point. For the information of readers unfamiliar with business, it may be stated that expenditure on materials, say coals, when entered in a profit and loss account, is made up as follows: Stock of coal on hand at beginning of year *plus* coal purchased, *less* stock on hand at close of year. This gives cost of coal used, and obviously receipts less payments will not give profit unless stocks enter into the calculation. In cases where the borough accounts simply give the customary profit and loss figures (each item adjusted with stocks at beginning and close) the framers of the returns adopt them. When, however, the accounts furnish details regarding stocks, these are eliminated. If this were all, the matter would not be great. "Total receipts" and "total expenditure" would be composed of figures made up partly on a so-called cash-basis, partly otherwise. By the mistaken effort, however, to make "cash" figures balance with profit, hopeless confusion has been introduced. An instance may be given. The correct figures for Southport Gasworks are:

Receipts.....	£73,524	Payments.....	£48,948
Stocks at close of year.....	5,175	Debt charges.....	8,438
		Stocks at commencement	14,797
			72,183
		Profit for year.....	6,516
			£78,699

Had nothing been said about stocks, the returns would have taken receipts £78,699; payments, £72,183; balance profit. But the returns are supposed to be "cash" figures, and the disturbing stock had to come out, involving an adjustment of £9,622. The course usually adopted is to add such a difference to whichever side requires it (subtractions are, as a rule, not made), but Southport is a case in which more adjustment was thought desirable. £9,622 was made a round figure and brought up to £11,000, and receipts were reduced from £73,524 to £62,524. The remaining difference was taken off payments, which were cooked down to £47,570. Balance profit, £6,516. The taking of such liberties in statistical returns requires no comment.

² As, for instance, Bradford, Birmingham.

³ As, for instance, Macclesfield £19,390 (should be £895), Blackburn £65,853 (should be £4,702).

⁴ As, for instance, Leeds, where the double mistake is made of stating the out-

also, are sometimes inflated by the inclusion of temporary loans, or overdrafts for purely revenue purposes which have nothing to do with "loans repaid"¹ A further mistake, which makes the burden of the debt service appear larger than it is, is the occasional inclusion of bank interest, interest on consumers' deposits, and so on among "Interest paid on loans."² These and many other mistakes occur, and besides there are cases in which the returns vary so completely from the actual accounts that it is hopeless to trace the differences.

The prevalence of errors of this kind detracts very seriously from the value of the official statistics, and it is not easy to suggest means for supplying more trustworthy information. The fault is not the result of careless work, but is mainly due to two causes: In the first place, the want of technical knowledge of a fairly high degree which it would be unreasonable to look for in the staff of a statistical department; and secondly, the most complicated and confusing shape in which the accounts of most local bodies are drawn up. This is a very old complaint, but it is hardly possible to repeat it too often. By an excessive multiplication of separate accounts, by cross entries and transfers, and the use of obscure technical phraseology, these statements are often rendered almost unintelligible. They seem designed to satisfy the pettifogging love for technicalities of some book-keeping quack rather than to afford information for the use of people who without being accountants are capable enough of understanding reasonable figures. As a matter of fact, in most instances where the mistakes in the returns seem to be stupid blunders, it will be found that the accounts from which they are taken are such that it would take a professional accountant's careful consideration to grasp their meaning.

A reform in the published accounts of local bodies and some improvements in official returns would be of considerable public benefit. In no department of finance is criticism by outsiders more necessary than in local affairs. Towns and parishes are far less subject to supervision than the central Government. They do not include among their officials financial specialists like those of departments of the Government, and yet some of the problems to be dealt with are delicate in the extreme. The control ex-
standing balance of loans (£1,210,474 instead of £1,340,887), and also the loans paid off, £130,412.

¹ As, for instance, Stockport, where even the sums placed to reserve funds are included as a repayment of loans.

² As, for instance, Manchester, Burnley.

cised by Parliament has also no counterpart in local government, although minute scrutiny would be almost more advantageous. It is therefore all the more important that outside criticism should be made possible. At present complete mystery hangs over almost every one of the more delicate points of local finance. We have to confine ourselves to estimates and suppositions. Such figures as we have contain palpable inaccuracies. Statistical investigations might greatly assist the solution of many problems of local government, but at present students naturally hesitate to work with figures which after long labour bring them to no other conclusion than that the present sources of information are an inadequate basis for scientific conclusions.¹

J. Row-Fogo

¹ Since writing this article an interesting point relating to municipal trading has come to my notice in the evidence before the Royal Commission on Local Taxation. A paper has been put in as evidence (Quest. 1787-94) purporting to show that in certain towns municipal enterprises yield profits equal to a reduction in the rates of 3d. per £. On closer examination it appears that this sum is made up without reference to those departments of municipal trading which make a loss. Such classes of undertakings, with the exception of burial grounds, are not taken into account, and would operate in an opposite direction to "relieving" rates by about £120,000 per annum. (See Sir Henry Fowler's Return.)

CONTRACTING-OUT FROM THE WORKMEN'S COMPENSATION ACT.

THERE are two questions of importance to be asked with respect to the contracting-out schemes which have been certified under the Workmen's Compensation Act :—

1. How far these schemes supply the admitted defects of the Workmen's Compensation Act.

2. Whether it is desirable that the contracting-out clause should in its present, or in any other, form stand in an amended Act. This paper is an attempt to present the material available on the subject in such a form as to contribute to the solution of both these questions. The writer is indebted to the Chief Registrar of Friendly Societies for permission to examine documents relating to the greater number of the schemes, which are not printed in his annual reports.

Section 3 of the Workmen's Compensation Act provides for contracting-out on the condition that alternative schemes are certified by the Registrar of Friendly Societies as "on the whole not less favourable to the general body of workmen and their dependents" than the provisions of the Act. The Chief Registrar's Report for 1897 contains the following statement :—

"As the due exercise of these functions vested in the Registrars implies a clear understanding as to the manner in which the Act works in the absence of a contracting-out scheme, and as the Act introduces into English jurisprudence an entirely novel principle, I may be allowed here to add some general observations. It should, in the first instance, be noted that the operation described as 'contracting-out' in the side note to Section 3 is very different from the contracting-out which formed the subject of much political discussion in connection with a previous Bill to amend the Employers' Liability Act. It implies, not the substitution of an arbitrary bargain between the parties, in the making of which one side or the other may, either by undue pressure or by want of sufficient information, be induced to accept a disadvan-

tageous position ; but the substitution of a bargain certified by an independent authority to be equivalent in its requirements from the employer and its benefits to the workmen to those of the Act. It is not so much a contracting-out of the Act as a provision for enforcing the Act by securing, as far as that can be secured, that the workmen shall get and the employer shall pay the equivalent of the allowances provided by the Act, not merely what he is content to take as an equivalent, but what has been ascertained, as far as can be ascertained, to be a real equivalent. Contract or no contract, therefore, the position conferred upon the workman by the Act is assured to him in meal or in malt. The provision that no scheme is to contain an obligation upon workmen to join it, as a condition of their hiring, also removes objections to the Section."

Contracting-out, even in this modified form, met with strong opposition from Trade Unionists when the Bill was in the Committee stage ; and since the Act came into force the action of the Registrar in granting certificates to certain of the schemes has been severely criticised by them. This attitude is due to two causes—in the first place, to a persuasion on the part of Trade Unionists that the principle of contracting-out is dangerous to their interests, as tending to promote in precisely the same way as any form of "shop club" what Mr. and Mrs. Sidney Webb have described as "a vertical cleavage . . . which interferes with Trade Unionism." Mr. John Burns, M.P., opposed the general principle of contracting-out on these grounds in the House of Commons. "These contracting-out schemes sometimes precluded the poorest of our workmen from joining friendly societies and absolutely prevented them from joining Trade Unions, and in this way made intimidation possible. . . . In practice, also, they tied men down to one district, and prevented the mobility of labour."

The provision that no scheme shall contain an obligation upon the workmen to join it is no guarantee that contracting-out under a scheme may not be practically compulsory. An employer is not bound to employ any one against his inclination ; it would be easy for him to make the reason of his dismissing or refusing to employ a workman who objects to contracting-out a matter of suspicion merely, and not susceptible of definite proof, which should justify the Registrar in revoking the certificate. It has been alleged, in at least one case, that the employer had threatened to withdraw certain privileges if workmen refused to join an alternative scheme. This would amount to indirect compulsion ;

but since such privileges are entirely in the hands of the employer to grant or to withhold, there neither is nor could be any ground for legislative interference in these cases. The universal application of the schemes, when once introduced, is sometimes frankly assumed. For example, Mr. A. M. Chance, chairman of a meeting of the Oldbury Alkali Works Provident Society, said, "The Act said that no man engaged at the works should be bound by the scheme; but if 99 out of every 100 were in favour of it, the hundredth would not have much chance of opposing it." An employer applying for a certificate wrote, "A ballot was organised and taken by the workmen's committee on the question of contracting-out, and resulted as follows. For contracting-out, 1413; against, 442—majority, 971. A notice was then posted in fifty conspicuous places above ground and underground . . . and no persons gave in their names as objecting, and so all agree to contract-out."¹ It must, therefore, be taken into account in considering the desirability of contracting-out that, in practice, a workman may virtually have no choice whether he will remain under the Act or accept an alternative scheme.

The second and more specific objection of Trade Unionists has been that the Registrar has not been guided in the question as to whether or no he should certify particular schemes by the opinion of the majority of the workmen ascertained by a trustworthy ballot. This objection is based on a misconception of the duties of the Registrar as laid down by the Act. He is, indeed, required to ascertain the views of the workmen, but this does not imply that he must only certify such schemes as meet with the approval of the majority; and, in fact, an amendment of that nature was proposed and rejected in Committee. The "views" of the workmen are, therefore, only useful as throwing light on the question whether the proposed scheme is "on the whole not less favourable" to their interests than the provisions of the Act. They have no power to prevent the introduction of an alternative scheme, which may be for all practical purposes compulsory, but can merely express opinions as to the advantages or disadvantages of any particular scheme as compared with the Workmen's Compensation Act.

This raises the question of the interpretation of the words "on the whole not less favourable." It is clear from the reports of the Chief Registrar that "favourable" is mainly held

¹ The Registrar, not content with this statement, required a notice to be posted for fifteen days longer, and invited communications to be sent direct to his office.

to mean favourable as a scheme of insurance. The important questions are, whether the employer will contribute as much to the scheme as he is bound to pay in compensation under the Act; and whether the workman will receive advantages equivalent to those of the Act, and, if he is contributing to the scheme, additional advantages in return for such contributions.

It is to be observed that the question as to whether it is "favourable" to the workman that a contribution to the scheme is required from him is not taken into consideration, the Registrar holding that this must be determined by the workman when deciding whether to contract-out under the scheme, but solely the advantages which he receives in return for his contribution. These contributions vary in amount, and must be sufficient to pay for the benefits afforded by the scheme, over and above the equivalent of the benefits afforded by the Act for which the employer is responsible. The fact that the proposed contribution has been reduced in one or two cases only by the Registrar indicates that there is no provision that the men are not paying more than is required for the actual benefits provided that the accumulated funds are to be expended for their benefit. For example, the surplus fund may be intended for pensions for superannuated workmen. It might fairly be argued on the lines suggested by Mr. Burns that no scheme to which the workmen are obliged to contribute is equally favourable to them; yet of the schemes certified up to the present time such a contribution forms a part, except in some half-dozen cases. So far one scheme only appears to affect women; but it is clear that having regard to the scale of wages usually paid to women, such compulsory contributions are a danger to their interests, of the same nature as old age pension schemes which entail payments from them.

In some cases the workmen's contribution takes the form of a fixed lump sum to be paid from the workmen's sick club. This involves the existence of "compulsory shop clubs," and again takes for granted that all the workmen will contract-out.

The applicants for a certificate are requested to send an actuarial report on the scheme submitted with their application for the certificate, and the schemes are also examined and reported on by the actuarial clerk of the department. The benefits afforded by the schemes as compared with the Act are not necessarily such as can be given a money value. It is, for example, somewhat entertaining when one recalls the eulogies pronounced on the Workmen's Compensation Act to find absence of litigation in a

prominent place among the advantages of contracting-out. It must be admitted that events have fully justified this view, but this may be regarded as due rather to the glaring defects of the present Act than to the inherent superiority of contracting-out. Moreover litigation under the Act would be in a large measure diminished if employers and employed took more advantage of Section I. of Schedule II. of the Act, which authorises permanent committees representing employer and employed to settle cases under the Act, where both parties agree to submit to their arbitration.

The total number of separate schemes certified and in operation on December 31, 1899, was 48: 2 of these schemes affect railways, 17 factories, 27 mines (one of these latter consists of 24 consolidated schemes), 1 a quarry, 1 government employees.

The main points on which these schemes differ from the Act are as follows: (1) Scales of payment to dependents and to injured workmen. It is of course possible for the payments to be arranged with greater definiteness than under the Act, workmen earning above a certain wage to receive a fixed sum, others earning less, a smaller fixed sum. This method is adopted in many cases. The scale of payment for non-fatal accidents at certain glass-works may be taken as an example.

Blowers (journeymen)	...	...	...	...	...	15s. per week.
Flatteners	„	...	...	...	...	15s. „
Gatherers	„	...	...	...	...	11s. „
Other employees at wages up to 5s. per week						1s. 6d. „
Wages 5s. to 8s.	...	...	...	...	...	2s. 6d. „
„ 8s. to 10s.	...	...	...	...	...	3s. 6d. „
„ 10s. to 20s.	...	...	...	...	...	7s. „
„ 20s. to 25s.	...	...	...	...	...	9s. „
„ 25s. to 32s.	...	...	...	...	...	11s. „
„ 32s. to 40s.	...	...	...	...	...	15s. „

It will be remarked that in all the cases where the wage is specified a higher award would be possible under the Act, as it is provided that the weekly payment may amount to 50 per cent. of the average weekly earnings, provided that such sum does not exceed £1, the provision of surgical attendance being held to compensate for the lower scale of weekly payments.

The questions which have been raised under the Act as to the amount of compensation to be paid in cases of permanent partial disablement, and as to whether the potential earning capacity of young persons prevented by an accident from ever earning as

high a wage as they would otherwise have done, is to be taken into consideration, would not appear to be satisfactorily settled by contracting-out. The latter point is not dealt with. As regards the former, a workman is regarded by most schemes as either disabled from working or as resuming work. The Treasury scheme, indeed, comprises a scale of compensation of which the precision recalls the distinctions between new laid eggs, fresh eggs, and eggs. When a workman's earning capacity has been wholly destroyed he is to receive $\frac{3}{4}$ of his pay at the date of his accident; materially impaired, $\frac{1}{2}$; impaired, $\frac{1}{3}$; slightly impaired, $\frac{1}{6}$.

Under the Act a nominal sum of 1*d.* a week has in several cases been awarded as compensation in order to secure a revised award should the workman at a later time suffer from his impaired earning capacity. Such a proceeding protects a partially disabled workman from being given a temporary job at his former wages, in order that his employer may avoid paying compensation.

(2) The Act allows no compensation for the first fortnight after an accident, with the result, of course, that no compensation can be claimed for a large number of minor accidents. The Chief Registrar states, on the returns for 22 contracting-out schemes, that in more than half of the cases for which compensation was paid the duration of incapacity was two weeks and under. It is obvious that from the point of view of the workman immediate relief is of great importance; and one of the effects of the Act has been, that in some cases where the employer was accustomed to pay the whole, or part, of the wages from the date of the accident, he has insured under the Act, and no compensation can be obtained till after the first fortnight, further delay being a common consequence of reference to an insurance society. Under a large proportion of the mutual schemes compensation is paid in less than a fortnight from the occurrence of the accident; in some cases it is paid for all accidents; in others for accidents after the first week or other definite number of days. In at least one district where the Miners' Union strongly opposed contracting-out, compensation for the first fortnight is secured by an additional subscription to the Trades Unions.

(3) Avoidance of definitions by which certain employees, or employees under certain circumstances, are debarred from compensation. By many of the schemes compensation must be paid for all accidents without the loophole afforded by the Act

that the accident must arise out of and during the course of employment, and that it must not be due to serious and wilful misconduct. Again, such questions would not arise as the height of the building on which the injured man was working, or the distance of a dock from a ship-building yard. Further it is possible to give a wider meaning to the word "accident." Disease due to occupation, such as lead poisoning, "phossy jaw," or anthrax, would not be held to be accidents within the meaning of the Act. Mr. G. H. Rowlinson, Miners' Agent, kindly informs me that under the Forest of Dean Mutual Insurance Accident Fund, during the two years, September, 1898, to September, 1900, compensation has been paid for 216 cases of injuries to knees, and 179 cases of injuries to backs, which would probably not have been held to be "accidents." The advantages of contracting-out which may be classed under this head are such as will cease to exist with the extension and amendment of the Compensation Act.

Mr. Chamberlain, speaking in the House of Commons on May 27, 1897, asked, "Was it not conceivable that an employer and his workmen, considering this matter in the light of the experiences of their special trade, and having the most friendly feelings one for the other, might devise a scheme which for them, at any rate, would be much better than the scheme proposed in the Bill? What the Government asked was that the House should not say to them violently, 'You shall not have this improved scheme, although you all desire it, and it is proved to be equally as good and perhaps for you much better than the scheme of the Bill.'" Contracting-out is now possible under quite other conditions than those pictured by Mr. Chamberlain. What, for example, could he say of the following case of contracting-out? It was objected to a certain proposed scheme that the rules provided that the President should be a member of the Board of Directors, the Treasurers the firm, their chief cashier to receive and pay all moneys, and the Secretary, the secretary of the company for the time being; but these same rules form a part of the certified scheme.

The "most friendly feelings one for the other," admitted by Mr. Chamberlain to be essential to the success of contracting-out, entail either close personal relations between employer and employed, the possibility of which is becoming rarer under the conditions of modern industry, or amicable relations between employers on the one hand and a powerful Trade Union on the other. In the latter case, it is conceivable that, even if contracting-out

is done away with by an amendment of the Workmen's Compensation Act, an entire industry throughout certain districts might follow the example of those sections of the cotton trade who obtained an exemption from the Truck Act of 1896, on the ground that by collective bargaining they could secure an arrangement more advantageous to their interests.

MONA WILSON,
Sec., Women's Trade Union League.

SOME FEATURES OF THE ECONOMIC MOVEMENT IN IRELAND, 1880-1900.

THE most decisive event in the economic history of Ireland during the nineteenth century was unquestionably the great famine of 1845-6. Its importance is such as to necessitate the division of the century into two nearly equal periods, viz., (1) that from 1800 to 1845, and (2) from 1845 to its close. But though this must be the great boundary line which marks the transition to a new state of things, it is nevertheless true that a further change, not indeed of the nature of a catastrophe, but of great economic significance, has been brought about in the last twenty years. If 1845 to 1900 is one principal period, it in turn may be divided into two parts of very different character, the first coming down to the year 1880, and the second covering the period 1880-1900. The former is remarkable for the working out of the transformation of Irish agriculture, which was the inevitable result of the famine, followed as it was by the adoption of free trade and the great industrial and commercial expansion of Great Britain. The Irish population was reduced by emigration; and its growth was checked by a reduction in the birth rate. Another noticeable feature was the change in English policy. Since 1845, the aim of legislation was to improve the social and economic condition of Ireland in accordance with the ideas of English liberalism. The measures dealing with the Irish land system are especially good illustrations. They were based on the idea that the Irish landlord should take on him the duties of an English one, and that the agricultural workers should be differentiated into capitalist farmers and farm labourers. The relations between landlord and tenant were to rest altogether on contract, and the thriftless encumbered owner was to be replaced by one with energy and capital. Consolidation of the smaller holdings into farms of the English pattern, accompanied,

as it necessarily was, by emigration and a diminution in population, was regarded as a symptom of economic improvement. In the latter years of the period the first traces of a change appeared, Irish discontent took so serious a form as to impress the minds of English statesmen, and the remonstrances of influential Irish writers disturbed the complacent belief of educated Englishmen.¹

The Irish Land Act of 1870, regarded at the time as a revolutionary measure, but which would now be hardly deemed even a temporary compromise, was one indication of a change in disposition.

The pressure of economic forces was, however, the chief cause of the passage to a new policy and to new conditions. A series of bad harvests in the later years of the seventies accentuated and increased the loss from the fall of prices and the expansion in the importation of agricultural products, due to the immense improvements in means of transport. Previous to 1880, the struggle of the Irish farmer had been to prevent an increase in his rent. Since that year his demand has always been for a reduction. This circumstance alone would indicate a serious change in the position of things, which is reflected in the legislation of the time. An elaborate land code, based on entirely new principles, and running counter to what were regarded by Englishmen as essential rules of policy,² if not of common honesty, has been enacted. By this series of measures (which includes the Acts of 1881, 1887, 1891, and 1896) the rights of the landlord have been so curtailed as to raise the serious doubt whether he has even any claim to the title of "owner." Ordinary yearly tenancies have become perpetual, subject to a varying rent, fixed by authority. Leases have been deliberately set aside, and presumptions as to the ownership of improvements have been introduced, which further increase the tenant's interest, with the result of establishing a distinct set of proprietary rights vested in the occupier, and which must be taken as deducted from the property of the former owners. The system of fixing "fair rents" has worked out in practice at an

¹ The contributions of Cairnes and Leslie should be specially mentioned. The former's Essay, "Political Economy and Land," advocated the principles of later land legislation. The latter's *Land Systems* was as effective in support of peasant proprietaries.

² "Few Englishmen," said Cairnes, "can hear, without something of a cold tremor, a proposal to fix rent by law" (*Essays in Political Economy*, p. 203); and he adds "throughout the discussions on the Irish Land Act [1870] the Government again and again denied their intention to interfere with the landlord's power of raising his rent." *Ibid.*, p. 204, n.

average reduction of 20 per cent. on the farms submitted for the first term to the Land Commissioners. A further reduction of about 22 per cent. seems to be established in the cases where the first term of fifteen years having expired, a fair rent has been fixed for a second term.¹

Parallel with the legislation regulating rent, and even mixed up with it in the same Acts, is the group of enactments for "land purchase." Starting from the simple provisions designed to assist the tenants of Church lands to purchase their holdings, there has been a development through the restricted assistance of the Land Acts of 1870 and 1881 to the liberal advances of the Ashbourne Act of 1885, and the later Land Acts of 1891 and 1896. Instead of the original idea that the thrifty farmer should be aided in purchasing his holding, the existing system provides for the advance of the whole amount of the purchase money by the State, the occupier contributing nothing—his only liability being the payment of an annuity, generally less than his former rent, and limited to a term of years. Thus there has been at the same time a very pronounced regulation of rent and restriction of the landlord's powers, and a decided, but far less extensive, effort to replace the relation of landlord and tenant by the establishment of occupying ownership.²

Somewhat apart from the land legislation, but yet connected with it, are the provisions in the interest of the labourers proper. The Labourers' Dwelling Acts (beginning with that of 1883) have placed in the hands of local authorities the means of erecting suitable cottages with land (half an acre) for letting to

¹ The following figures show the working of the Irish Land Act so far as rent reductions are concerned.

Fair rents fixed from August 22nd, 1881, to March 31st, 1900.

	1st term.	2nd term.
Number of tenancies	328,220	52,396
Area in acres	9,859,970	1,432,515
Former rent	£6,725,049	858,980
Fair rent	£5,325,840	666,108
Amount of reduction	£1,399,209	192,872
Percentage reduction	20·8	22·4

² The results of land purchase up to March, 1900, have been :—

	Number of holdings purchased.	Amount of ad- vances by Government.
Acts of 1885 and 1888 ...	25,368	£9,992,640
„ 1891 and 1896 ...	19,227	£6,084,217
Total	44,595	£16,076,857

Average advance per holding, £360 10s. 2d.

labourers requiring accommodation.¹ The compulsory powers conferred by these Acts afford another instance of the entire change in the policy of the legislature.

A further series of measures is at first sight less in opposition to older methods of thought than those already noticed. They deal more directly with improvements in production, and include the Tramways and Light Railways Acts, the grants for railway construction under the Balfour administration; the creation of the Congested Districts Board (1891), with, lastly, the establishment of the Department of Agriculture and Technical Instruction (1899). But even in this case there have been many important innovations in method, and in the application of assistance. Experiments have been made which would certainly never have been tolerated by the statesmen of the sixties, and which have placed the action of the State in a different position. Putting together the separate threads, we find that one characteristic feature in the economic movement has been legislation of a new and hitherto untried kind. Its real effects have been the subject of keen controversy, but of its existence there can be no question.

Another influence already alluded to has been the revolution in methods of transport and the opening up of new sources of supply, which have affected the position of Irish industry.

One of the commonest complaints in Ireland has been that free trade destroyed the remnants of industrial life that survived the Union; but in truth after the first shock of the famine was over, the effect of free trade was to greatly improve the position of Irish producers. For its rapid advance in manufacturing power made Great Britain an excellent and steadily-growing market for products in which Ireland had a special advantage. Cattle, bacon, and butter obtained prices higher than during the period of protection, and in consequence rents were gradually raised from the level of 1848. It took from thirty to thirty-five years for the ultimate possibilities that lay in unrestricted trade to become manifest. Thus, about the year 1880, the pressure on Irish agriculture reached a serious point. American meat, Danish butter, French poultry, flour from different countries, not only

¹ The operation of the Labourers' Dwellings Acts, 1883, viz. :—

Cottages erected up to March, 1899.	
Munster	7,952
Leinster	5,738
Ulster	233
Connaught	111
Total (Ireland)	14,034

displaced Irish products in England, but found their way to the Irish towns. From being a prominent flax-producing district, Ulster was changed into an importing one. To meet this competition it has been found necessary to transform some industries. Domestic dairies have been largely replaced by the creamery system. The bacon-curing business has become still more a "capitalist" one, carried on in a few seaports, and the linen industry seem to have accepted the condition of working mainly with foreign raw material. A result of this competition, and the agency by which it has been effective, is the fall of wholesale prices. Instead of a high and rising scale of prices (as, speaking broadly, was the case from 1850 to 1878), we find a downward movement, accompanied by sudden and disconcerting fluctuations. Farmers and dealers accustomed to a particular routine found that their methods had to be changed and that lower prices had to be accepted. During the eighties a run of poor seasons made the difficulties greater. There probably was a good deal of exaggeration as to the extent of the loss incurred, but that the widening of the English market must have pressed heavily on a country that had possessed a decided differential advantage (or in popular language "a monopoly") for a considerable time, is too plain to need discussion. One consequence, which has not received adequate attention, is the change brought about in the factors of value. Under the conditions previously existing, the influences affecting the values of commodities, and therefore the reward of services, were capable of approximate calculation. The expenses of production and the chances of profit admitted of reasonable estimate in reference to the near future. This comparative stability has been overthrown, and attempts to forecast the movements of value, requiring as they do a study of the conditions of production in distant countries, are hazardous in the extreme, especially when applied to arranging the terms of contracts for long periods.

Thus, two prominent features in the economic history of the past twenty years have been (1) the extensive use of legislation for new and even revolutionary ends, a great deal of it of a distinctly economic character, and such as to gravely alter the previous economic system, and (2) a complete change in the conditions affecting the most important Irish industries which deprived them of advantages and made reorganisation and re-adjustment absolutely essential.

In tracing the effects of these agencies on the economic situa-

tion of Ireland and the position of its inhabitants, the first consideration must be the movement in number of the population. From 1841 every census has shown a decline, but up to 1881 in diminishing degree,¹ the decrease between 1871 and 1881 being only 4 per cent. The census of 1891, however, indicated a decline of over 9 per cent. Against this has to be set the probability that up to 1900 the decline from 1891 has been only about 3 per cent.² A plausible conclusion from these figures would be that there was much pressure in the decade before 1891, which was reduced in the succeeding years. But the interpretation of Irish population returns is involved in much difficulty. The prosperity of the United States has a predominant influence in swelling the amount of emigration, so that the relatively small decrease between 1871-1881 is really to be referred to the period of depression during 1873-1879 in the United States. Similar considerations apply to the period 1890-1893, as it was also one of extreme depression in America. Taking, however, the total range of figures, the most remarkable lesson is probably the slight effect of legislative measures, or local industrial efforts, as compared with the action of the greater economic forces. The Irish peasant has not been regarded as a good specimen of the so-called "economic man," and yet he appears to regulate his movements with careful heed to varying economic conditions. Within Ireland there is also the tendency for population to move towards a centre of economic activity, as illustrated in the growth of Belfast, which has been continuous during the last 80 years.³ Of like import is the steadiness of the birth- and death-rates, which have stood at about 24 and 18 per 1,000 respectively between 1881 and 1900.

Passing from the people to their productions, we find somewhat similar evidence. The movement has been in the same direction as formerly. The area under tillage has been reduced, wheat in particular taking only one-third of the acreage of 1880, while barley and oats have also been somewhat curtailed. Flax

1851	=	20	per cent.
1861	=	12	" "
1871	=	7	" "
1881	=	4	" "

² The Irish registration returns appear to give more accurate results than the English ones. See *ECONOMIC JOURNAL*, I, p. 385. The total emigration for 1881-90 was 770,706; for 1891-99 it was only 388,238.

³ Between 1871 and 1881 the increase was under 20 per cent., between 1881 and 1891 it was 22 per cent.

also has been largely abandoned as a crop, and even the potato has received less space.¹ Thus, nearly 700,000 acres have been withdrawn from the production of these five crops in the course of twenty years. On turning to the figures as to live stock, a general confirmation is obtained. The increase under all heads between 1880 and 1890 is noticeable, and this, though set back as regards horses and pigs, is continued in the case of cattle between 1890 and 1900.² Changes in price have, on the whole, told in favour of raising live stock rather than tillage, and thus the direction of agricultural industry has not been altered, though in some branches considerable rearrangement has been brought about. Even the larger markets appear to have retained their hold. Cork is still the greatest centre for the export of butter, and the more prominent fairs remain the distributors of the cattle trade.

As to the interests of the several classes directly connected with the cultivation of land, it is evident that the landlord who represents the claimant of the returns from "the original and indestructible powers of the soil," has had his receipts cut down. The action of the Land Commission has taken off nearly £1,600,000, though less than half the area of the country has been placed under fair rent for the first term. The second term operations for this portion will, when completed, probably give a further reduction of £900,000. Quite outside the judicial proceedings the amount of rent has been lowered by abatements and temporary revisions to an extent difficult to calculate, but which must be considerable. On the other hand, there appears to have been a general tendency towards a rise in the *real* wages of labourers employed in agriculture. It is extremely difficult to obtain definite results,³ but there are certain data which may be used to indicate the probable

	1880.	1890.	1900.
¹ Wheat	148,636	98,208	53,797
Oats	1,381,943	1,220,241	1,104,848
Barley	218,579	186,218	174,184
Flax	157,534	96,871	47,327
Potatoes	860,728	780,801	654,413
Totals.....	2,727,420	2,373,339	2,084,569
	1880.	1890.	1900.
² Horses	499,284	523,384	491,143
Cattle	3,921,026	4,240,753	4,608,443
Sheep	3,561,361	4,323,805	4,386,697
Pigs	849,046	1,570,279	1,268,474

³ "The estimation of agricultural wages in Ireland teems with difficulties, and it does not seem possible to obtain more than an approximate result." Bowley, *Statistical Journal* (1899), p. 395.

course of movement. Thus it is possible to show that in each of nine Irish counties which may be regarded as typical of the different sections of the country, there has been an improvement in farming wages.

TABLE.¹

County.	1866.	1898.
Antrim.....	7/- to 10/-	10/- to 15/-
Armagh.....	7/- „ 9/-	10/- „ 12/-
Cavan.....	6/- „ 7/-	9/- „ 10/-
Donegal.....	6/- „ 8/-	7/- „ 10/-
Monaghan.....	6/- „ 8/-	8/- „ 10/-
Dublin.....	7/- „ 11/-	11/- „ 13/6*
Wexford.....	6/- „ 8/-	8/- „ 9/-
Cork.....	6/- „ 8/-	8/- „ 12/-
Mayo.....	6/- „ 7/6	6/9 „ 9/6*

This table is based on Leslie's account of wages in 1866, obtained by personal inquiry. See his *Land Systems*, p. 8 (a work which seems to have escaped Mr. Bowley's notice) and the Return in Mr. Fox's report on "Wages and Earnings of Agricultural Labourers" [cd. 346] (1900). It should be added that Leslie states that the rates he gives were not maintained in remote districts.

The scanty accounts of actual wages for series of years contained in Mr. Fox's report are in accordance with the foregoing. When we further take into account the fall in price of the articles consumed by the labourer, the gain in real wages appears to be well established and substantial. The improvement in house accommodation as evidenced by the Census returns and the operation of the Labourers' Dwellings Acts is another symptom of improved conditions. But it has to be remembered that this improvement is only in comparison with the degraded conditions which called forth the description given by the Devon Commission. The most serious problem that remains for treatment in Ireland is to satisfy the legitimate claims of the labourer.

The remaining class connected with the land shades off at one end into that just considered. The poorer occupiers are rather labourers than farmers, but in by far the larger part of Ireland the definitive separation of the two classes, which Bright regarded as so desirable, has taken place, and the possessors of judicial tenancies, *i.e.*, perpetual leaseholds with regulated rents, form the prominent division. For this part of the population there has been in the last twenty years a change for the better. The first reductions of rent under the Act of 1881 may have been

¹ These figures are the average of summer and winter wages.

counterbalanced by the fall in prices ;¹ though some large sections of farm produce did not drop twenty per cent. But even granting this, the condition of the Irish farmer in the early seventies was a prosperous one, which admitted of considerable accumulations. When to the reductions in rent is added the creation of a legal interest of a marketable character, together with the chances of further abatements in the future, as also the opportunity, open in many cases, of obtaining undivided ownership by the aid of public money, it seems difficult for any one to deny that solid advantages have been gained by the farmers proper in the period under review, advantages which place them in an entirely new legal and economic situation.

Those who, on an examination of facts, reach this conclusion have to face the difficulty that the so-called tenants appear to be as much dissatisfied with the results of the land legislation of 1881 and its developments as the landlords. If the latter complain of the confiscation of their property, and of the ignorance and hostile bias of the tribunals who fix rents, so do the former. Both parties cry out against the expense, delay and uncertainty connected with the awards of the Land Commission, and foretell the speedy ruin of Irish agriculture if this dead weight is not removed. Instead of being regarded as a benefit, the system established by the Act of 1881—which is substantially that of the three F's—meets with the severest condemnation.

Some fresh light on this perplexing state of opinion may be obtained by a reference to the discussions that preceded the enactment of the Land Acts. The case for the policy of “the three F's” is stated with his usual persuasive power by Cairnes in an essay already referred to, and his arguments are substantially repeated in the Report of the Bessborough Commission.² The hostile view is best set forth in Longfield's Essay and condensed in Bonamy Price's “Memorandum” to the Richmond Commission.³ Looking back on the points in issue it is now plain that the upholders of “fair rent” greatly underestimated the difficulties of valuation. They assumed that no serious alteration in general economic conditions would take place, and

¹ This seems to have been the impression of the Fry Commission. *Report*, p. 26. [C. 8734].

² Cairnes' “Political Economy and Land” in his *Essays on Political Economy*, pp. 187—231. Report of Commission on “Landlord and Tenant Act,” pp. 19—30, [C 2779], (1881).

³ Longfield, “Tenure of Land in Ireland,” chap. vii., in *Systems of Land Tenure*. Preliminary Report of Commission on “Agriculture,” pp. 10—11 [C 2778], 1881).

they appear to have believed that the problem would be to regulate the attribution of the increased gain from land between landlord and tenant, not to deal with diminished receipts. Again, they evidently contemplated a process of arbitration, rather than a costly judicial inquiry.¹ Nor did they sufficiently recognise the influence of self-interest and political feeling on the estimates of valuers, who depend on the community for employment. In these respects Longfield's judgment, based on his wide experience, is far nearer the truth.²

As the system has been worked in practice, an expensive and elaborate machinery has been called into being. Very heavy law charges are incurred by both landlords and tenants, and a complicated body of law has been evolved by the tedious agency of legal decisions. The actual judicial rents have not been ascertained either by the scientific evaluation approved by Cairnes, or by the practical method contemplated by the Bessborough Commission. But there are deeper reasons for the discontent with the operation of the fair-rent system on the part of the occupiers. New interests have been created under the system. Existing occupiers have a property to sell and its value depends on the actual and probable future range of rent. Hence it is greatly the tenants' interest to press for extreme reductions, as thereby the value of their property is directly increased.³ Each transfer of a judicial tenancy brings in a new holder who has not gained by the lowering of rent, since he has had to pay an equivalent in a higher price for the tenant-right, and who not unnaturally regards the benefits of the Land Acts as illusory. Still more during the past twenty years the older system has to a great extent passed out of knowledge, with the result of somewhat obscuring the real magnitude of the change and the benefits obtained. Moreover, the feeling of property in the occupiers has been established, and

¹ "As matters become settled and the principles of decision become better understood, the cheap and summary way of settling a dispute by arbitration will be resorted to in all ordinary cases" is the forecast of the Bessborough Commission. *Report*, p. 22.

² Every one who has any experience knows that nothing can be more uncertain and undetermined than the valuation of land. It is probable that the value as fixed by any tenant-right measure would be less than half the rent which a solvent tenant would be willing to pay, *Systems of Land Tenure*, p. 51 (ed. 1876).

³ Here, too, Longfield's prevision is remarkable. Speaking of fixity of tenure, he writes: "The men now in possession would be enabled to violate their engagements, but no future tenants would gain anything by the change. . . . It is not to be supposed that the present tenants, when they had obtained a permanent title to the land, would part with their farms on the basis of the valuation on which they had obtained them. They would certainly require the highest price that could be obtained by free competition." *Systems of Land Tenure*, pp. 46—47.

has made the claim of the landlord for rent appear as an unnecessary exaction.¹ This danger was clearly foreseen by the opponents of the system of fixity of tenure with fair rent and free sale. It was considered, but set aside by the Bessborough Commission. It formed a leading point in the argument embodied in Lord Dufferin's admirable "Memorandum" furnished to that body. It is fully recognised in Leslie's latest writings, and is regarded by him as ground for a great extension of peasant proprietary. In fact both these writers agree in advocating the advance of public funds to accomplish this end,² in order to introduce a better constitution of property and supply a firmer, because a broader, basis for social order. The irresistible conclusion from the foregoing is that the course of economic legislation in Ireland has produced the very effects that skilled observers predicted as likely, and that the development has been in a broad sense normal, *i.e.* what is in accordance with permanent social forces. Had the economic conditions remained the same as between 1850 and 1875 there can be little doubt that in some respects the working of the new law would have been easier, the fair rents would probably have been placed at the same level as those already existing, and the situation of agriculture would appear more prosperous. But, bearing in mind the actual changes in economic conditions, it is also certain that had the measure of 1881 provided for the immediate creation of a large body of occupying

¹ For a similar state of things preceding the French Revolution, see Tocqueville, *Ancien Régime*, book ii, chap. i., and *cp.* Maine's comment "The sense of property in the soil was thus not in the lord but in the peasantry, and the peasantry viewed the exercise of signorial rights with a feeling closely akin to that which is inspired by a highly oppressive tax. . . . It is a significant fact that where the ownership is acknowledged to reside in the superior holder, the exaction of even an extreme rent from the tenants below has very rarely been regarded with the same bitterness of resentment." *Early Institutions*, p. 124.

² "In the estimation of the tenant, Mr. Gladstone's Act [1870] put him into the same bed with his landlord. His immediate impulse has been to kick his landlord out of bed. The temptation of the Government will be to quiet the disturbance by giving the tenant a little more of the bed. This will prove a vain expedient: the tenant will only say to himself 'one kick more, and the villain is on the floor'. . . . The problem is to render Ireland conservative. . . . This can only be done by making him [the tenant] an owner, and an owner on a very extensive scale."—*Dufferin Memorandum*.

"The difficulty is not to be solved by cunning statutory contrivances to deprive landlords of ownership without giving it to the tenants; thereby leaving nobody with the rights of property over the soil, and deepening the feeling that 'landlordism' is an incubus to be got rid of. The main object ought to be . . . to reinforce landowners with such an accession to their number as materially to alter the balance . . . and to do this without establishing a precedent for legislative confiscation of the possessions of the minority by the majority."—Leslie, "The Irish Land Question," *Fraser's Magazine*, December, 1880.

owners, the problem presented to the state would have been one of immense difficulty. Very large allowances would have to be made to the purchasing tenants, and the Treasury would have suffered heavily, in all probability nearly to the same extent as the landlords under the actual state of things.

The whole period 1880-1900 has been one of strain, but it is a hopeful sign to notice that the latter half shows many indications of advance. Railway and Banking returns, the activity of the building trades and the profits earned by the various companies are the more important of these. They do not indeed cover the whole field of economic effort, but they have the great advantages that they are (1) representative, and (2) admit of measurement, and may therefore be taken as specially good symptoms of the general condition. Nor is there anything noticeable in other directions which can be set against this weighty presumption. On the contrary, all the less definite indications point in the same direction and give hope for further improvement.

C. F. BASTABLE

REVIEWS

Surveys : Historic and Economic. By W. J. ASHLEY. (London : Longmans, Green & Co. 1900.)

IN the preface to this volume, Professor Ashley states that the "five and forty essays and reviews," of which it is composed, "fall into a few well-marked groups." These "groups" are distinguished as (1) Preliminaries, (2) Mediaeval Agrarian, (3) Mediaeval Urban, (4) Economic Opinion, (5) England and America, 1660—1750, (6) Industrial Organisation, (7) Biographical, and (8) Academic. "Two of the longer and a few of the shorter papers," the author remarks, "have not before been printed ; the rest have appeared in different reviews and journals during the last eleven years." The book may therefore be described as a collection, for convenient reference, of the smaller writings of a professor, of whose erudition and ability two countries may claim possession, the one of parentage and the other of adoption, and two important departments of study—that of Economics and that of History—may hope to reap the benefit. In arranging the material for such a volume it must always be difficult to determine what should be admitted and what should be rejected ; and few critics are likely to find themselves in complete accord with an author on a debatable question of such perplexity. On the one hand, we should regard the two longer papers, published now for the first time, as not the least valuable. In that on the Economic Atmosphere of America we have the acute, suggestive observations of an English expert on the character of the economic environment, in which he has for some time lived, and we can imagine no more illuminating picture of the distinctive features of American industry and commerce, of their outward appearance and their inner significance alike. We should have been sorry indeed, had this description of the "American spirit" taken no shape more enduring than the fading memories of those who heard a lecture delivered in Oxford. Nor would our regret have been less keen, in the interests of students anxious to follow a disputed question, if Professor Ashley had not been led to supplement his lecture, delivered also in Oxford, on the Commercial Policy of England towards the American Colonies in the seventeenth and

eighteenth centuries, and to append the original matter contained in the new essay on American Smuggling. On the other hand, we must confess to an opinion that some at least of the reviews of books, which appeared in the columns of the "Nation," might, with advantage, have been omitted. They are interesting illustrations of Professor Ashley's mental attitude. They furnish important aid towards forming a complete conception of his economic and historical creed. They confirm, and do not disturb, the harmony of his opinions; but they are confessedly occasional. By comparison with the longer pieces they appear so slight as hardly to deserve the dignity and permanence which they receive. We think that the better judgment of an author might incline to the omission from his collected writings of all reviews of books, unless, like others reprinted here, they were of a minuteness and elaboration, which rendered them reviews in name, and articles in fact.

With the final "Academic" section of the book the economist, as such, is hardly concerned; and two of the reviews contained in the preceding "Biographical" section are interesting to the historical rather than the economic student. The remaining sections reveal the professor in that dual character of "economic-historian," by which, we gather, he is ready to be known. For, while he allows that the studies, which he is pursuing, may sometimes have been brought within the range of a separate faculty of History, and sometimes have been placed in a distinct faculty of Economics, he himself favours a more comprehensive view, which treats them as related to both, as belonging to a larger genus, which embraces as species both History and Economics, rather than belonging exclusively to either. It is true, as we think, that his own strength lies not so much in the appreciation or criticism of economic theory as in the lucid ordering and searching analysis of historical circumstance. But we should not deny his assertion that the attitude of "analytical" economists, as we may so distinguish them, has been profoundly affected, and we would go so far with him as to affirm that their practice has been radically altered, by the criticism of Cliffe Leslie and others. With him, too, we should describe such critics as exponents of economic method rather than economic historians, properly so-called. We should assign no unimportant place in a modern faculty of economics to economic history. We believe, indeed, that the study is likely to be more profitably pursued, and more permanently advanced, when it is brought into close connection with economic science, commonly so termed, than when, regarded as a department of general history, it is separated from it. And thus we accept unreservedly much of Professor Ashley's argument in the addresses, with which the volume opens, on the study of economic history, and we should merely shift some portion of the emphasis. The earlier of the two was delivered in 1873, when he entered on his professorship at Harvard, and the later was read seven years after at the annual meeting of the American Historical Association.

The professor himself remarks that he finds "little" in the lecture "that later events make" him "wish to alter." But of one thing we are certain. If a critic can still discern beneath the surface traces of what Professor Ashley will allow us to call the "hot ardour" of his youth, when his hand was ever raised against the "orthodox economist," it would be impossible not to recognise the moderate, friendly tone marking the utterances reprinted in this book. The "truce to controversy," for which he calls, is not the less welcome because the invitation proceeds from so doughty and so well-equipped a combatant as he has shown himself to be.

Those familiar with his writing—and in this class all interested in economic history are comprised—will not need to be reminded that they will find definite convictions clearly expressed and persuasively urged in the volume before us. From the fault, not unknown in economic historians, of "failing to see the wood for the trees," Professor Ashley is conspicuously free. To the facile danger of allowing his detail to obscure his thesis he has never been a victim. He has shown that he possesses the full "courage of his opinions." These are no small or common merits in a writer on such topics. By this means he contrives to give a sustained interest to what might otherwise seem unattractive. The reader has no excuse for letting his attention wander because he cannot see the author's meaning. The drift of the argument is never obscure, the purpose of the writer is always plain. The facts are distinctly arranged in definite groups. The opinion, which they support, and the conclusion, to which they guide, are not left uncertain. Through the perplexing labyrinth of the "origins" of the Manor, which form the main topic of the second section, entitled "Mediæval Agrarian," Professor Ashley guides the student with as firm and sure a hand as that with which in the fifth section he parts the intended purpose from the actual consequences of the treatment dealt by England to the American colonies in the seventeenth and eighteenth centuries, or, in the preceding section on Economic Opinion, distinguishes the small modicum of genuine Free Trade doctrine from the large admixture of political partisanship in the writings of North and Barbon, Child and Davenant. We are sure that he feels little real sympathy with that "phraseology of conjecture, of dubiety, of suggestion, of caution," which he attributes, not unjustly, to Professor Maitland in a short review of that author's *Domesday Book and Beyond*; and from the standpoint, at any rate, of literary attractiveness there can be little doubt which attitude promises to win the most success. Bewildered by the confusing, or contrary, directions given by others, the student may well be ready to accept with confiding gratitude the bold strong guidance of Professor Ashley.

Every author, however, has the "defects of his qualities"; and assurance may sometimes end in dogmatism. It would be no less absurd than unjust to suppose that Professor Ashley has not always a strong reason for the "faith that is in him," that his convictions are

not based on a careful, exhaustive inspection of a wide range of facts, that his industry and erudition are not fully as remarkable as his ability and candour, that his conclusions, if expressed with emphasis, are not the result of independent research rather than of that preconceived opinion to which he is perhaps prone to attribute too hastily the errors of his opponents. At the same time we are bound to note an impression produced on us by the perusal of these essays and reviews. We cannot help feeling that by nature Professor Ashley is a controversialist. We cannot escape the suspicion that he finds the rôle of advocate more pleasing and appropriate than that of judge. As we have before remarked, we think, on some grounds, that the shorter reviews might have been omitted. Some appear too "occasional" to merit a place beside the more elaborate, considered articles which every student will welcome in a permanent shape. By dint of elimination, Professor Ashley, we believe, might have made his book more compact, and not less valuable. If we may say so, we should have preferred the "handful," of which he speaks in a graceful dedication to Professor Schmoller, to the "armful," which we think might be the more accurate measure of the contents of the book. But, as a revelation of his mind, the shorter pieces are important. Throughout the articles, whether brief or lengthy, of the section named "Mediæval Agrarian," we see that Professor Ashley's main concern is to emphasise the view held by him, perhaps rightly, and certainly with confidence, of the origin of the manor. It is assuredly the convinced and eager advocate, and not the calm, impartial judge, to whom we listen in the severe examination of Professor Vinogradoff's *Villainage in England*; and, similarly, the short notice of Professor Maitland's *Domesday Book and Beyond* discloses, as it seems to us, more clearly the natural inclination of the critic than it shows the destructive effect of the general argument of that book on the special doctrine to which, with natural eagerness, he has pinned his faith. He seizes on the reasoning, which discredits the particular "mark" theory, of the high pretensions and real demerits of which he does not conceal his convinced opinion; and, apparently, he attaches by comparison little importance to argument running counter to the general theory, which he favours, of the servile origin of the manor. We do not mean that he is consciously unfair; for we might be proved mistaken by some language in the same review, where he recognises the drift of Professor Maitland's logic. But it does seem to us that, rightly or wrongly, he finds it difficult to alter, or to modify, an opinion he has once deliberately adopted, that by nature he inclines to a decisive view, which will admit neither of misapprehension nor reserve, and that he revolts from anything that savours of suspense or doubt. This is surely the temper of the advocate and not the judge. Similarly, in the following section of the volume, devoted to subjects styled "Mediæval Urban," he has as yet apparently no view, to which he is strongly wedded, on the "origins" of the towns, and he discusses impartially conflicting theories. As we think, he himself is less interested, and

seems to his readers less interesting, when he is thus engaged. But in the second essay he finds more evident relish in controverting Dr. Gross's view of the relations between the merchant and craft guilds. He does not, it is fair again to remark, ignore the value of the contribution made by that writer to our knowledge of urban history, and he may be right or wrong in the criticism which he offers. But while on this, as on other points, we may admire, and may fondly wish that we could emulate, the skill and force of his argument, we are haunted by a misgiving that, in his eagerness to demonstrate a case of which he has no doubt, he may have been betrayed into excessive emphasis. In vulgar, but expressive, language we mean that it is generally certain that Professor Ashley has his own "axe to grind," and that at some stage—perhaps early, perhaps late—in his eager search for truth, he will not be content unless he is asserting, without fear or tolerance of contradiction, some precise, definite theory. Such an attitude has, we admit, great advantages; and Professor Ashley, we have observed, never fails to enlighten the obscure. But it is not without its dangers and temptations; and we feel that he would be more or less than human, had he obtained complete immunity from these.

The suspicion, which we entertain, may perhaps be due to the circumstance that the questions of "origin," with which he is mainly concerned in a moiety of his book, are, from their very nature, doomed to perplex, in spite of the vast research bestowed upon them. We confess that we should rejoice to think that economic historians were turning their attention more persistently to later times. It appears to us that a period, which is least thoroughly explored at present, is that extending from early in the seventeenth to the middle of the eighteenth century; and we could willingly forgive Professor Ashley any failings, real or imagined, if we could hope that he was not leaving an unfinished fragment in that Economic History, from the earlier parts of which we have already learnt so much, but that the essays in this volume on the Commercial Legislation of England towards her American Colonies, and on the Tory Origin of Free Trade Policy, were the forerunners of a continuation, or conclusion, of that work. He will allow us to express the earnest wish that he will not join the ranks, only too numerous, of economists, who have begun treatises, and have not brought them to completion.

We have left ourselves little space to notice the section of the present volume concerned with questions of "industrial organisation." We need not remind the readers of this JOURNAL of those suggestive observations on American Trusts with which they must be familiar.¹ The same acuteness of perception characterises Professor Ashley's remarks on the Canadian Sugar Combine, and on Mr. Smith's Combination in the Midlands of this country. Such studies "illustrate," as he says in his Preface, "the application of the historical spirit to the burning questions of the day;" and they realise, we think, his

¹ Cf. Vol. ix., No. 34, p. 162 (June, 1899).

modest hope, that "it should tend towards patience and charity, if not towards ready solutions." Nor is his explanation of the more recent success of Co-operative Production in England less convincing than his hints of the probabilities of the future merit careful pondering. He finds that explanation in the fact that the later ventures of co-operative production have been directed to meet the needs of a market already secured in co-operative retail distributive societies, and he anticipates a period of trial, which will soon come, or has begun already, when competition will arise between the productive societies, and the greater portion of the capital employed will be subscribed from outside, and not from the workers actually engaged inside the undertakings. For English readers, however, the most instructive essay in this section is, we hold, that on the Economic Atmosphere of America; and we should be grateful for the volume, if it contained this alone. That essay can hardly be summarised without injustice; for it deserves study line by line.

L. L. PRICE

Western Civilisation in its Economic Aspects (Mediæval and Modern Times). By W. CUNNINGHAM, D.D. (Cambridge: The University Press. 1900.)

LORD ROSEBERY has recently expressed a belief that the new century will be marked by increasing severity in the struggle for trade; and from this he drew the moral that England, confronted on the one side by American acuteness, and on the other by German persistence, should pay more attention to "commercial education." The hope may be expressed that one effect of such utterances, and of the ideas, which have taken practical shape in the new University of Birmingham, may be an accession of influence to economic study. It may be presumed that a larger place may be given to Economics in examinations, both for the public service and at the Universities, the more ancient of which are bound in time to be influenced by the ideas prevailing, and methods pursued, in the more modern foundations. The stir now perceptible in authoritative circles should produce an appreciable effect on the curricula of primary and secondary schools; and "commercial subjects"—and among these Economics—should meet with new recognition.

These observations are prefatory to our notice of the volume before us; for they furnish, in no small degree, the reason for the opinion we have formed of the value of its contents, and the opportuneness of its publication. Dr. Cunningham, in the Introductory Chapter to the previous volume, dealing with Ancient Times, of which the present, devoted to Mediæval and Modern Times, is the sequel and completion, remarked with justice that:—

"the English nation, which has been the principal agent in diffusing the influence of Western civilisation throughout the East, has received a great heritage of industrial and commercial enterprise from other

peoples." "If," he continued, "we would understand aright the part our country has played, and is playing in the world, we must try to understand how this great heritage of industrial and commercial activity has been built up—in what fashion each people has inherited and perpetuated the tradition it received, and what contribution each has added of its own."

In other words, the study of the past supplies the key which will unlock the secrets of the present. It also affords some of the means for solving the riddle of the future. It cannot be doubted at least that a preliminary to the maintenance of the position of England in that contest for trade—where she has to face in particular the formidable rivalry of America and Germany, and, generally, the competition of the nations of the Western world, and, now that Japan has entered the lists, of the East as well—is such a knowledge of the constituent elements of our success as can only be gained by acquaintance with our economic history, and by studying the reasons for the decline of the nations, which in former days have occupied a similar position to that we have won. It is because Dr. Cunningham's *Essay on Western Civilisation in its Economic Aspects* affords the means for acquiring this desirable knowledge without facing the difficulty, which might easily deter a willing student, of gathering together for himself information scattered in different quarters, that we express the confident hope that it may form a "prescribed book" in those schemes of economic training, which we may expect to follow on the new interest taken in "commercial education."

For the first time, so far as we know, a convenient conspectus has been provided in this essay of the economic aspects of the whole story of Western Civilisation. It is, no doubt, a necessary condition of such a comprehensive plan that detailed illustration should give place to general views; and the critic may easily differ from the author on the question of selection and omission. Dr. Cunningham has had recourse to detail, where he has thought it necessary for the elucidation of the broad tendencies he is mainly concerned to exhibit. There are passages, where he has added information, which will be new to those familiar with his larger history; although the economic conditions of England, which are the main subject of that history, are but one of many topics treated in the present essay. There are passages again, where we may fancy that we can detect some modification of his former views. But his chief purpose has been to indicate and to emphasise the main lines of development; and, while this intention may sometimes have resulted in repetition, and possibly have led to some excess of emphasis, and the inevitable corresponding defect, yet the distinctive features of successive phases of Western Civilisation, which are thus marked and illustrated, are generally so pronounced that we can hardly imagine that they would be questioned by any competent historian. It is only these sharp features of the times that

the student, for whom this "text-book," as the author describes it, is intended, can hope to appreciate, or to fix in his memory.

The volume is divided into three main sections, of which the first is devoted to "Christendom," the second to "Nationalities," and the third to the "Expansion of Western Civilisation." In the concluding paragraph of the introductory chapter the author shows how these three headings may be brought into correspondence with two different schemes of division. "There have been," he remarks, "three great stages of progress, in man's knowledge of *himself*, and of his *place* and *powers* in the world; and each of these has had far-reaching effects on industrial and commercial life." Christian teaching, for example, introduced a "new consciousness of duty," and attached an added dignity to labour, as man came to know *himself*. With the "period of discovery," again, increasing man's knowledge of *places*, those "national economic policies" arose, which attempted to secure for each nation in turn a monopoly, or preponderant share, of expanding commerce. Lastly, with the "age of invention," man's knowledge of his *powers* in the world was marvellously increased; and England, where the industrial revolution, consequent on this increased knowledge, was first accomplished, has been the primary agent in the "expansion of Western Civilisation." The other scheme of division is connected with the different importance attached to the different "requisites of production." In "mediæval Christendom" the "regulation of *labour*," under "nationalist economic policy," the "development of *land*," and in "recent times" the "utilisation of *capital*," have attracted special attention.

The first, and most lengthy, section of the book, is devoted to the influence of Christendom. Dr. Cunningham illustrates the way in which the general ideas and principles of mediæval Christendom tended to give that security to person and to property, which was necessary for economic progress; and he shows how the Church, in the person of its earlier Bishops, staying the hand of heathen barbarians like Attila, or, in that of Christianised barbarians themselves, such as Theodoric, introducing law and order, or again in that of the older inhabitants of the monasteries, engaged in promoting agriculture, industry and trade, actively co-operated in the economic movement. In a chapter on "natural and money economy," he points out how, as in the earlier history of Greece, the change from a society, where money was not employed, to a society, where it was commonly used, was coincident with, and responsible for, the growth of freedom, in spite of certain evils which attached to the transition. It allowed the growth and use of capital. It tended to enhance the dignity and independence of labour. In a third and fourth chapter the non-Christian world is considered, in which the unifying influence of obedience to one ecclesiastical centre, enforced by the observance of the canon law and the collection of the papal revenues, was not present.

The second section of the book, which deals with "nationalities," seems to us the most successful portion, regarded from the standpoint of clear arrangement of material and orderly development of argument. It is possible that in some of the chapters of the previous section, as in Dr. Cunningham's larger history, the transition from one subordinate department of the subject to another may sometimes seem abrupt, and the connection may not at first sight be obvious. The writer may have grasped threads of the narrative which elude the notice of the reader. The consideration, for instance, of the empire of Charles the Great may come here in its appropriate place, and yet the link uniting it to the other matter of the chapter is more readily detected at the end than the beginning. And, similarly, in the third chapter, it is not easy, after reading through successive pages, to remember how the various trading adventurers, with whom it deals, are related to one another, or to determine why in some cases they should have been included under the main heading of the chapter. We may be unjust, or hypercritical; but we cannot help feeling that the interest of Dr. Cunningham's book might have been increased, and the impression, which it should produce on the mind of the student, rendered more distinct, had the material been differently arranged.

With the second section of the book, however, we have no quarrel on this ground. It contains three chapters, devoted respectively to "Secularisation," "the Intervention of Capital," and "Rival Commercial Empires." The "disruption rather than decay" of Christendom is graphically described. The growth of the power of capital, and the opportunities for its use, while the conditions of the times imposed effective checks on its misuse, is suggestively explained. The rise and fall of rival commercial empires—the Portuguese, the Spanish, the Dutch, the French—are sketched with a quick but firm hand. The third chapter, especially, is full of instruction for the student of our own commercial and industrial supremacy. The inability of the Portuguese, with their small strip of territory at home, to support the burden of a great empire in the East, the blind concentration of the Spaniards on the collection of mere bullion, to the neglect of agriculture, and the manufactures, for which a market was ready in their American possessions, the failure of the Dutch to rise to the ideal of national life at home required for establishing abroad an enduring colonial empire, the short-sighted preference of the French kings for supremacy in Europe, the disinclination of individuals in their nation to make their homes in a foreign land, and their habit of excessive reliance on governmental authority, which contrasted strongly with the confident independence and innate love of adventurous enterprise of the Englishman, are successively portrayed.

In the final section of the volume Dr. Cunningham describes the age of industrial invention. He indicates the great possibilities offered, as never before, by growing commerce to industrial ability and inventive skill. He discriminates between the consequences—good

and bad—which followed the “revolution” effected in English manufactures and agriculture. In sober judicious language he discusses in conclusion the prospects of the future. It scarcely remains to add, what those familiar with his previous writings will know, that the book furnishes abundant evidence of that diligent research and large erudition, which have won for him his high repute among economic historians. The present volume, however, possesses a peculiar interest in this respect. In the author’s words, it “embodies the substance of lectures” delivered at Harvard University in 1899. During the absence of Professor Ashley he was invited to lecture in that American University. If we may be allowed to say so, the arrangement was peculiarly felicitous; for to these two economists is jointly due the credit of the revival, if not the birth, of the systematic study of Economic History in England.

L. L. PRICE

The Trust Problem. By JEREMIAH W. JENKS, Ph.D. (New York: McClure, Phillips & Co. 1900. Pp. 281, small 8vo. \$1.00.)

Few writers could bring so valuable a fund of varied knowledge of trusts to illumine the discussion of the reasons for, and the results of, that phase of industrial organisation which has powerfully impressed all observers in recent years, as is possessed by the writer of this compact little volume. Clear in statement and judicial in tone, its study will be of assistance to English as well as to American readers, for it will unquestionably assist in a rational apprehension of the nature and magnitude of the dangers and advantages of the aggregation of productive power under a unified control. Dr. Jenks condenses the results of a painstaking investigation, into the facts relating to American movements of the character stated, and supplies a basis for the formation of judgments, which should prove of value, in spite of important differences in the circumstances in America and elsewhere.

The analysis of the conditions which favoured combination of productive power at the earliest dates brings out the fact that a uniformity of quality in the product, as in the cases of petroleum, salt, sugar, and spirits, marks such cases. When to this is added the consideration that a comparatively large capital is required to constitute a productive unit of the most economic magnitude, the choice between combination and a ruinous competition often presented itself. A useful chapter deals with the important question of the wastes which competition involves. This is largely a question of the wastes of small-scale production, though there are important points in which competition leads to waste which is not, at any rate immediately, connected with the scale on which the production is carried on. On the distributive side, the waste of competition, has from time to time in the past, been acknowledged, and no lengthy reference need be made to the instructive presentation which this matter receives in the volume before us. We are, however,

tempted to refer to the mention made of the advantage that first-class management confers on the establishments which are important enough to be able to afford to secure and retain it. The remark of the author that skill in management is not "the mere taking advantage of an opportunity to cheat a customer or hoodwink a competitor" is by no means superfluous.

The extent to which combination of capital can, as tested by experience, secure monopolistic advantages, is examined with some care. It is shown that where the monopolists were too eager to fleece the public in its capacity of consumer, there they found their monopoly short-lived. If profits are not to be attacked by renewed competition, prices must be maintained at a level which does not invite such competition. In such a case, the possession of large capital and productive power will practically restrict possible competition to that from another combination in a collateral line of work. From this consideration follows the anticipation that combination will extend in the direction of embracing all steps of manufacture from the raw material to the finished product, not excluding the raising of the raw material itself. Actual experience points clearly in that direction.

One feature enters into the problem in a country of such enormous extent as the United States, which is of considerably less importance on our side of the ocean. It is the advantage afforded by the possession of producing plants favourably situated for the distribution of the product to different districts. Such a situation permits the effective underselling of any producer who is favourably situated with regard to only a limited section of the country.

In dealing with the promotion of the corporations which correspond to what are, in this country, called Combines, there are, naturally, statements as to excessive overcapitalisation, which reveal possibilities such as even the more extravagant of our promoters hardly dared attempt to realise, and such as the new Companies' Act may render, we will hope, an impossibility in the future. The difficult question arises, What is the proper basis of capitalisation? Is it the cost of the plant, its earning capacity, or its reproduction value? While the second of these has much to be said in its favour, it is pointed out how dangerous it is as a standard at the time of flotation, when the earning capacity of the combination is largely a matter of speculation. High capitalisation, too, tends to stimulate the attempt to make prices high, for the restraint imposed by the desire to avoid a dangerous competition, stimulated by the attraction offered by large profits to potential competitors, is lacking. The conditions imposed by the new Act just referred to are quite on lines recommended by Dr. Jenks as calculated to reduce the dangers of overcapitalisation. Restrictive legislation in the United States has been fruitful of modifications in the form of organisation of industrial combinations, as is instructively traced by our author, but has hitherto failed to reduce their power seriously. Guarantees for efficient management, in the

real interest of shareholders, can hardly be devised, in the face of a neglect of ordinary precautions on the part of the main body of shareholders. How often have not English shareholders suffered disastrous loss, through apathy or ignorance which permitted their property to be used in ways quite opposed to their interest? Yet such means of defence as exist are not by any means fully utilised by those who stand to lose by the neglect, as in a recent case in which the faithful performance of duty by an auditor, in pointing out the inadequacy of the information vouchsafed by a body of directors to the shareholders, procured dismissal as a reward.

A special interest attaches to Dr. Jenks's chapter on Prices, which is a study of the effect of the organisation of combinations on the prices of the products they control. A set of five charts show, in graphic fashion, the variations of prices of raw material, of finished product, and of the difference between these, before and after the completion of arrangements for consolidating the interests of producers, and also show how the later appearance of competition, for a shorter or longer period, affected the levels of the three items named. It is clear that the trusts have been able to raise prices not a little, but that, as before stated, the result of raising them largely has been to provoke renewed competition, which has often only ceased by the purchase of the competing concerns.

By their power over wages and employment, Combines can attack the interests of very important sections of the community. It seems hard to deny that, if the work of production and distribution can be done with equal efficiency on a smaller staff in certain departments, the community may be a gainer, or no loser in the long run, by a reduction in the numbers employed. If some of the establishments included in an amalgamation are not needed, the closing of them is an economy of the energies of the community. If the output needs reduction, one or more plants may, perhaps, be stopped with greater economy than would result in running all short time. Instead of large numbers being partially employed, a few are entirely unemployed. Is the loss to the community greater in the one case than in the other? It cannot be denied that idleness has a demoralising influence. But it seems not unlikely that the employees as a whole lose little, if at all, more through shutting down one establishment than in running short time in all. The problem of the equal distribution of the burden of such a plan could be solved by trade unions. Whether Dr. Jenks's anticipation of the extension of the plan of uniting employer and workman in common cause against the consuming public, as a result of the spread of capitalistic combinations, combined with growth of labour organisation, is justified, we are inclined to doubt, in the light of experience.

Some effort is made, too, by our author to throw light on the extent to which it is likely that, in the future, industrial combination will embrace an ever-widening sphere of production. The moderate view, which is so striking a feature of other parts of the

book, distinguishes it also here, and attention is directed to important conditions which promise to afford abundant scope for individual effort in the future as in the past.

The general conclusion, "that few trusts are entirely evil, and that none are all good," is more encouraging than certain pessimistic views which find expression in some sections of the press. It is founded on careful study, backed up by an elaborate analysis of the facts yielded by assiduous research, and associated with a definite plan for attacking those leading characteristics of the trusts which appear to militate against the general welfare. It has already been indicated that Dr. Jenks prescribes publicity as the chief remedial measure, and his draft bill, printed, with other proposals for checking the evils of trusts, in an Appendix, gives some of the particular modes of securing this defence against abuse. The occurrence in it of some provisions which the English law has already afforded to us on this side encourages the hope that the evils which they are designed to check may not become formidable here. The investor cannot be protected against himself, but he may be provided with a means of protecting himself against deception by others.

The time of the appearance of this book is an opportune one, and it will repay the time spent in studying it, to those who desire to understand the new problems which modern industrial conditions are creating for us. The absence of a protective tariff may considerably modify conditions in this country as compared with America, but that is only one feature, and does not create such dissimilarity as to diminish the value of this admirable study of American facts and the lessons they teach.

A. W. FLUX

Heimatpolitik durch Weltpolitik. Reden zur Flottenvorlage, 1900. Von ADOLPH VON WENCKSTERN. (Leipzig: Verlag von Duncker und Humblot. 1900. 8vo. Pp. 130. 2 marks.)

Of the fifteen speeches reprinted in this volume, one only is of any considerable length, and the rest contain in the main but a repetition of one and the same argument, with such flights of fancy as were suggested by the occasion.

The argument is supported by reference to certain statistics, by which it is shown that the people of Germany are in a high degree dependent on the maintenance of a foreign trade. Industrial prosperity is conditioned by the supplies of raw material from abroad and the sale abroad of a large part of the products of industry. The import of fertilisers is a necessity to the farmer, and exports of the fruits of the soil average some £25,000,000 annually, which gives a direct interest in the prosperity of foreign commerce to the agriculturists, in addition to that derived from their interest in the prosperity of the other classes of the community, to whom their products are sold

Of Germany's foreign trade, some two-thirds is conducted by sea, hence the security of that sea-borne commerce is of the highest importance. Hitherto that security has been assured by the protection of the navies of other countries, but, in looking to the future, the nation should cease to rely on a protection which may fail them in time of need, and provide for themselves. To do so would involve no inordinate sacrifices, for the appropriation of less than one-half of the ordinary annual growth of the revenue in time of peace would suffice to cover the necessary outlay. The required annual investment in warships and their maintenance would absorb but one part in sixty of the amount available annually for the increase of capital, the funds seeking new investment annually being estimated at £150,000,000 sterling. The diversion of one-sixtieth of this to naval purposes would even relieve industry from excessive expansion and threatening over-production. As to personnel, the men required when, in about 1916, the plans had been carried out, would be only 60,000, or one in a thousand of the then estimated population.

Such is the basis of these speeches, which we do not think needs comment. The anticipation which is expressed that England may abandon her policy of free-trade, and need persuasion to maintain an open door to German exports is, we may hope, not in any degree justified. The most remarkable feature in these addresses seems to us to be the frantic pleading for the means to enforce a free access to and egress from German ports of products of various kinds, in the same breath with the insistence on the need to preserve Germany from the invasion of the products of foreign industry, and with excuses for the actual duties on agricultural imports. With a real appreciation of some of the advantages of freedom of trade, and a desire to have the power to argue with effect with any who should desire to restrict such freedom, is strangely combined a determination to retain existing barriers of German origin.

It may be added that the fleet for which Herr von Wenckstern pleads is carefully represented as desired for the purpose of adding one more to the securities for European peace. At what point, one is sometimes led to wonder, will the growing burdens of an armed peace cease to be more endurable than actual warfare? The conviction that the terrors of the latter probably grow somewhat in proportion to the severity of the former burdens is needed to establish firm confidence in preparation for war as a preservative of peace. A. W. FLUX

The Housing Question in London: being an account of the housing work done by the Metropolitan Board of Works and the London County Council, 1855—1900. Prepared under the direction of C. J. STEWART. (London: P. S. King & Son. [3992].)

EVERY serious contribution to the literature of a problem so urgent and so complex as the housing question merits the most careful

attention, and the volume compiled under the able direction of the ex-Clerk of the London County Council is certainly an important addition to that literature. It is, in the first place, a storehouse of facts and figures which have hitherto been somewhat difficult to obtain, and for this alone it would deserve a cordial welcome. But some of the sections are more than records of facts, and we should select the chapter on Overcrowding as one of the most suggestive articles we have seen upon the subject. Those who have read Dr. Hamer's report to the Council upon the sanitary condition of St. Pancras, Kensington, and other parts of London will be familiar with much of the reasoning, but it is to be hoped that the present volume will be more widely read than ordinary L.C.C. reports. The chapter before us gives a concise account of the various causes of overcrowding, and shows clearly that although the evil has attained to great dimensions, it is by no means hopeless, and that indeed there is every prospect of a cure if only the local authorities—the vestries, now the new boroughs—would play their part. For sixteen years these bodies have had in their hands the machinery for regulating and keeping down overcrowding, and the value of this machinery is well illustrated by the difference between the sanitary conditions of those vestries which have chosen to avail themselves of these powers, and those—unfortunately the greater number—which have either neglected them entirely, or have at best used them in a languid and inefficient manner. There is a most remarkable story on page 93 about the negotiations between the Council, the Bethnal Green Vestry, and the Local Government Board, which, as far as we can discover from Mr. Stewart's pages, looks as if the central authority had determined to throw its weight into the balance on the side of the recalcitrant vestry rather than on that of the unfortunate Council, which has already a hard task before it in attempting to keep the smaller bodies up to the mark. More light should certainly be thrown upon this transaction. It is scarcely possible to over-emphasise the importance of the preventive side of a local authority's work. We have the slums and "unsanitary areas" bequeathed to us by our forefathers, and we have to deal with them as best we may, and the amount of work which the London County Council and the other London authorities have accomplished in this direction is really enormous, as Mr. Stewart's pages show very clearly. We cannot help the existence of old slums, but we can prevent the creation of new ones, and the methods by which this may be accomplished are stated or suggested in the chapter before us, which also points out emphatically the fallacy into which so many would-be housing reformers fall, that local authorities cannot enforce the sanitary laws, because, if they did, half a million people would be in the streets to-morrow. The relations between sanitary laws, overcrowding, high rents, and house famines have not been clearly shown by most of the popular writers on the housing problem, who might spend a very profitable hour over Dr. Hamer's and Mr. Stewart's pages.

The greater part of the book is taken up with detailed accounts of the various schemes, both of destruction and construction, which have been, or are about to be, carried out in London, and these accounts are illustrated by clear and useful plans. One of the points that strikes the reader is that the Works Department does not come out very successfully in its undertakings, at all events as far as price is concerned; another is that outgoings seem to be rather high. There is an interesting comparison between the expenses of administration, &c., of artisans' dwellings belonging to private companies and those managed by the Council, which might with advantage have been fuller, and might also have contained some information as to the amount found necessary in some of the great provincial cities, for instance Liverpool and Birmingham. The information as to many of the schemes is naturally not very full, but it is well arranged, and should be adequate for most purposes. These details of schemes occupy, as has been said, the greater part of the volume, and there is much that is useful and good in the earlier sections of the book. The first chapter gives a clear, if brief, account of the course of legislation upon the housing problem, and the action taken under this legislation by the Metropolitan Board of Works and the Council. The views expressed by the Council, after careful consideration, as to the alterations required in the existing law are interesting and suggestive, though perhaps not always conclusive, and the section which deals with the policy pursued by the Council and by Government Departments is also interesting. The chapter on Overcrowding, which comes next, has already been referred to, and is itself followed by a short but useful survey of Workmen's Trains.

Mr. Stewart and his helpers have naturally not attempted to approach that subject from the point of view of the critic, but the work of that functionary is made infinitely easier, as well as—let us hope—more useful, by the skill that they have displayed as narrators. Their volume is only a report, and not a very long one, but it is an extremely useful piece of work and should be widely known. A knowledge of the facts is the first essential for the formation of an intelligent opinion, and if only a portion of the ratepayers could be awakened to this knowledge the solution of the housing problem would be appreciably nearer. As it is, we may approve or disapprove of some of the views or actions of the London County Council, but we have no longer any excuse for remaining in ignorance of what their work is and how they are doing it, and for this we have to thank Mr. Stewart and his able band of helpers.

LETTICE FISHER

A Short History of English Commerce and Industry. By
L. L. PRICE. (London: Edward Arnold. 1900.)

IN this volume Mr. Price has aimed at writing "a brief account of the commercial and industrial development of England from the earliest times to the reign of Queen Victoria" (*i.e.*, the final establish-

ment of free trade in 1854), which will serve as an introductory textbook to the study both of economic history and economic science on a wider scale and in ampler detail. A teacher would, I imagine, be disposed to lay down three questions as indispensable for the success and utility of such a book: (1) That the writer should himself be a master of the subject, enabled, however confined the limits of his self-imposed task be, to speak with the authority which fulness of knowledge alone can give; (2) that the written text should be translucently clear and not overloaded with detail, and carefully arranged to preserve true historic proportion; (3) that the scope of the work should be truly comprehensive. I would congratulate Mr. Price on his very considerable success in fulfilling these conditions. He modestly refuses to claim "originality," but his pages prove that he has spared no pains to "consult" the best authorities without abandoning his own right to judge both their evidence and their conclusions. His method of statement is eminently clear, and in dealing with such vexed questions as the Manorial System, the Gilds, the Black Death, the Currency System, Mercantilism, the Industrial Revolution, and Free Trade, he shows great skill in seizing upon the main issues and expressing them in language easily to be understood of the uninitiated. Throughout, his object has been to select "central facts" for presentation and discussion; and all that careful arrangement of paragraphs, leaded type, and accurate division of the chronological sections can do to aid the story or the learner has been done. Nor has Mr. Price forgotten that economic history is not simply a mere record of industrial phenomena. In tracing the development of English commerce and industry, he has also indicated the parallel development and contributions of economic science from Sir Walter of Henley to J. S. Mill. Criticism of Mr. Price's pages is practically impossible; the brevity and scope of his book have rendered detail and that nice balancing of evidence and conclusions which are the privilege of the writer of the books *de longue haleine* out of the question. To demur from, or quarrel with, an author summarising 1,500 years' growth in 250 pages because this or that crucial problem is not sufficiently thrashed out or is too dogmatically judged, is to forget that authoritative dogmatism is one of the essential conditions of the task. If we are provided with accuracy, clearness and breadth of view, the teacher may well be thankful, and the taught will not dispute the value of dogma. On one point alone I venture to differ with Mr. Price. From time to time, either in the text or in a footnote, in order to encourage "fuller study," he has given specified references to the main authorities. Would it not have been better to have omitted all footnotes, to have enlarged these references, and to have appended either at the end of each chapter or at the end of the book five or six pages of smaller print, a catalogue *raisonnée* of the bigger books to which Mr. Price's short history is intended to be an Introduction? The genuine but uninitiated student requires not only a directory but a guide.

C. GRANT ROBERTSON

*Essays in Colonial Finance.*¹ (New York: American Economic Association. 1900.)

THIS publication consists of eleven papers by as many different hands. The papers have been collected and edited by a small committee virtually consisting of Messrs. Jenks and Hamlin, with Professor Seligman and Dr. Albert Shaw. Printed together they are intended to form a series of useful rather than brilliant summaries of the public financial systems of the chief tropical and semi-tropical colonies of the world. In the preface, the editors offer an apology for some of the figures given, which, indeed, are not always up-to-date. On the whole, however, the collection is serviceable and correct. To English readers it would have been more interesting had not nearly all the great self-governing colonies of the British Empire been excluded. Its scope is confined to "colonies" where one or more coloured races form at least a majority of the population. The only countries under notice in which whites form a large permanent element are Cape Colony, Natal, Cuba, Porto Rico, and Algiers, and of the last-named we are told little or nothing. The only autonomous colonies reviewed are Cape Colony and Natal, while we are introduced to many tropical dependencies which, like Malaysia, New Guinea, and, in a still more marked way, Egypt, have little or no right to the name of colony. The explanation is that the essays are intended to be useful to American students and politicians in search of sound fiscal principles for guidance in the administration of Cuba, Porto Rico, Hawaii and the Philippines. If "colony" means a land not only taken but in process of being filled by an emigrating swarm of the dominant race, then none of these American possessions are colonies, and none, with the very doubtful exception of Hawaii, can ever become so. For its own purpose the volume is useful, but its title is slightly misleading. It is in truth a discussion of a series of attempts by various nations of Europe to administer the finances and regulate the trade of certain tropical possessions inhabited by coloured men. The omission of British India makes it incomplete, and if Egypt is admitted it is not easy to see why India has been overlooked.

By the sanguine imperialist the collection will not be found exhilarating reading. One by one the financial systems adopted by Europe for dependencies over seas are examined and shown to be largely a record of fiscal failure. We look into them all, from the old and rotten tyranny of Spain which has only just finally ceased to cumber the earth, to the brand-new business methods of the Berlin colonial office. From first to last we are impressed by one thing. This is the exceeding costliness of tropical expansion. We speak of direct cost to the home taxpayer as balanced by anything in the nature of direct return. Indirectly, the trade of tropical possessions may be

¹ *Essays in Colonial Finance.* By Members of the American Economic Association. August, 1900. New York: The Macmillan Company. London: Swan, Sonnenschein & Co.

of very great value. Mr. Kidd, writing a few years ago, called attention to the very large share of the world's products which is drawn from the tropics. It is true that he extended the boundaries of the tropics several degrees north of Cancer and south of Capricorn. But, however we limit or expand it, the tropic zone remains a portion of the globe of immense productiveness and fascinating possibilities. The attempt to exploit it has been for centuries a heavy drain on the treasuries of Europe. Spain, no doubt, wrung immense sums from the Indies for three centuries, but the penalty she paid in the fourth was commensurate with her ill-gotten gains. The cost of French "colonies" is notorious. The German colonial budget has shown in recent years an outlay by the mother country in government expenditure which about equals her whole trade with her colonies. The little islands held and financed by Denmark in the West Indies show deficits year after year, and for this reason will possibly soon be sold to the United States; and the Dutch East Indies, formerly, and for many years, a source of considerable annual profit, to the home exchequer, have for some time ceased to be so. The English colonies, on the whole, show the best results, yet amongst them we are confronted with the miserable condition of the West Indies, where financial independence has broken down, with the dubious outlook in Rhodesia, with the price that has been paid to the Niger Company, and with the stagnant condition of Fiji. The Fijian Islands are potentially much the most valuable of our tropical holdings in the Pacific. They are of extraordinary fertility as well as beauty; their climate is exceptionally good as tropical climates go; they are placed near enough to Australia and New Zealand to do a substantial trade with the white communities there; they have been managed honestly and with the most humane and excellent intentions, have not cost the mother country anything to speak of, and are out of debt. On the other hand their condition is stagnant and unprogressive; trade and production are small; the despotically governed white settlers are discontented, and the natives make almost no advance in civilisation, and have dwindled in numbers nearly as fast as though the archipelago had been thrown open to white enterprise instead of being kept as a native preserve. It is something more than a coincidence that the two countries which show the best record in this volume—Egypt and Cape Colony—are the two which are outside the tropic belt. Cape Colony, of course, has been developed by a large and industrious white population. The financial recovery of Egypt in the last twenty years has certainly been remarkable, especially when the hampering influence of international control is considered. But there we have had the combination of a thoroughly capable and honest bureaucracy with a submissive and laborious people, a fertile soil, a good climate, and one of the most advantageous positions in the world. That is a very rare combination indeed. Moreover, despite skilful and rigorous financing, the amount of

Egyptian bonds outstanding in 1897 remained virtually as large as it had been in 1881, *i.e.*, something over £98,000,000.

From the discouraging and costly class of tropical colonies Singapore and Hong Kong are fairly to be excluded. They, however, are to be regarded more as mercantile stations and entrepôts for trade than as territories where tribes with local institutions and a national life of their own have to be managed and helped to make way. The loose form of federal control established by Sir Andrew Clarke and Sir Frederick Weld over the Malay Peninsula, also appears to work well, thanks chiefly to Chinese immigration, tin mines,—the export duty on tin, provides much of the revenue,—and loans from Singapore which go to make railways.

Mr. Blackman's paper on Spanish colonial policy is now only interesting historically. Reading it increases one's respect for the severely criticised Latin communities of Mexico and South America. It is difficult to understand how they made any progress at all under Spain's insanely restrictive system. That they did grow, after a fashion; that they freed themselves, and are now after many vicissitudes generally prosperous and advancing, goes to show that the Latin stock even when much mixed with negro and Indian is not the degenerate and useless mongrel that certain English writers have been given to ridicule.

Of more living interest is Mr. Day's account of the Dutch colonial fiscal system. It has been the custom in some quarters to exaggerate the aptitude of the Dutch for tropical administration. We frequently read that they succeed where English fail, and the contrast is attributed to many causes, from superior hardness of heart to a readiness to wear native dress. It may be admitted that from 1830 to 1874 the Dutch made their East Indian dependencies pay. They developed Java and Madura, till the two islands carried a population of 500 to the square mile and contributed a substantial annual surplus to swell the revenues of the mother country. This result, however, was attained by the "culture system" under which the Javanese were sweated, and expenditure—notably on such items as education and justice—stinted until humanity in the Netherlands itself revolted against it. Forced labour was gradually abandoned. In 1873 began the Achinese War which has been going on ever since, and has turned the surpluses of the Dutch East Indies to deficits. There have been deficits in nineteen out of the last twenty-two years. Much of the sum which these represent has been converted into a fixed debt, and in the Netherlands budget of 1900 there also appeared a sum of 440,000 florins set down against interest on the East Indian floating debt. As for the Dutch possessions in America, Surinam and Curaçoa, they have never been anything but a drain on the national exchequer. Of an average expenditure of about a million florins a year, laid out by Holland on her colonies since 1862, nearly the whole has gone to subsidise these two not very flourishing dependencies. That the Achin War has upset the Dutch Eastern finances is clear, and

it may be conceded that a war as harassing and persistent as that of Achin is an exception. But expenditure on war and police figures largely in nearly all tropical budgets, and wherever coloured races are kept in an ignorant and subject condition, is likely to do so. For instance, it looks as though but for the two items, military and police, the state of the finances of the little Danish West Indian islands might have been not utterly hopeless; they are responsible for two-thirds of the deficiency there. The description given us of St. Thomas and Santa Cruz is particularly interesting, because the Danish Home authorities seem to have treated them with unusual liberality as far as financial aid goes, yet all in vain. The islanders are neither prosperous, contented, self-governing nor self-supporting. It may perhaps be fair to suspend judgment yet awhile on the German colonial budget. The dependencies to which it refers may be regarded as undeveloped estates on which capital has to be, and is, freely laid out. The outlay from Berlin, it may be noted, nearly trebled in the three years 1896 to 1899, and grew to £1,260,000 sterling. All the possessions received subventions from the imperial exchequer. In all except Togo, these formed the greater part of the revenue. In none except the Cameroons had any attempt been made to exact repayment, and in the Cameroons the attempt had been abandoned.

The sketches of the British West Indies confirm, without giving much fresh light, the usual estimate of their unsatisfactory industrial state. There is indication that improved land tenure and education might do more to ameliorate matters than is commonly suggested. Stress is laid on the heavy taxes exacted. Generally speaking, the impression left by the volume is that in tropical dependencies which cannot safely be entrusted with self-government, the first necessities are the security of permanent peace and the good-will of the inhabitants. These absent, such dependencies can never be anything but a fiscal burden. Next comes the need of a land tenure designed in the interests of cultivators; after that, vigorous and systematic efforts to educate native races, raise their standard of comfort, induce them to embark on a variety of industries, keep them out of the clutches of usurers and spirit-dealers, and give them and officials recruited from their ranks, as large a share in administration as possible. The editors of this volume, it may be noted, give their voices in favour of assistance to colonies by mother-countries to the extent of temporary advances or guaranteeing loans for State-owned public works. They prefer indirect to direct taxes as sources of revenue. They lay down twelve excellent principles to guide colonial administrators. None of these, however, would seem novel either in Downing Street or most British colonies. It is not the discovery of just principles but their practice which presents the chief difficulties to those who have to govern dark or yellow men in the tropics.

W. P. REEVES

Capital und Capitalzins: Geschichte und Kritik der Capitalzins-theorien. By EUGEN VON BÖHM BAWERK, Finance Minister and Honorary Professor, Vienna. 2nd edition. (Innsbruck. 1900.)

MUCH has happened, even in economics, during the last sixteen years. The above "History and Criticism" was first given to the world in 1884; and the author's own Theory, foreshadowed in the History, was fully expounded in 1889.¹ There is nothing new under the sun, and the theory had been thrown out in passing by earlier writers, and even worked out in some detail by the John Rae whom John Mill saved from oblivion. Curiously enough, it was a Mr. John Rae who first brought the Professor's book into notice in this country, in the *Contemporary Review*. The Professor does full justice to his predecessors; but the "agio-theory of interest" (Preface, p. 614) has certainly never been presented so clearly, elaborately, and subtly by any one before himself.

His labours have been abundantly recognised. Not only the Austrian views of Final Utility, but the *agio*-theory in particular, may be said to have had the lion's share of economic discussion here and in America for the last ten years. It is not surprising, therefore, to see a 2nd edition of the "History" (grown from 495 pages to 698), and to hear of a forthcoming 2nd edition of the "Positive Theory."

Readers of the 1st edition of the History will find a great deal that is new in the 2nd. There is a long account of the older John Rae; and there is an appendix devoted to the present literature on the subject of Interest (1884-99). In the body of the work particular passages are changed or amplified. One example may be given, as characteristic of the author. He had been dealing with Senior's theory that Interest is the reward of Abstinence, and after two objections he had added, in 1884, a third, that Senior's theory applied only to goods freely produced and therefore could not be of general application. He withdraws the objection in 1900 on the ground that the levelling tendencies of competition can make a particular cause of this kind into a general one (2nd ed., p. 345 n).

Senior's theory is on the surface likeliest his own, and is therefore scrutinized most closely. Against Senior he argues that, though right in laying emphasis on the element of time, Senior does not see the true part that time plays in the matter. "Abstinence" suggests suffering; but the matter should be put in a perfectly dry light, as, for example, thus: If the labour that is only to be rewarded a year hence is to be obtained at all, it must be better rewarded than the similar labour that is to be rewarded immediately. In the second place, it was a fallacy to count the renunciation of other employments of our time as a second sacrifice over and above the labour bestowed on

¹ The book is so dated, but appeared at the end of 1888.

the given object, whether on "future goods" or present. The valuation is in the present. Labour is bestowed on one particular means of satisfaction and not on another, because we have deliberately decided that, with full allowance for the difference in value between fruits that come now and fruits to come by and by, this particular production will give us the greatest balance of satisfaction. The "waiting" has been already reckoned in our valuation when we decide to get or (it may be) to produce this thing and not the other. We get or produce this article because, though maturing late, or because, from maturing early, it has a value that just outweighs the value of its rivals. Having judged it in the knowledge that it is maturing late, we must not afterwards plead the lateness as a ground for adding again to its value when it is mature. The futurity did not add to the cost of the thing; it only lessened its value in our estimates, and made it *ceteris paribus* unlikely that, out of two articles, it should be chosen by us for our making or our getting. We must keep to one point of view, that of the valuation in the present.

Again, we must not add together the results got from two points of view that are really alternative. In measuring the value of an article, we may either judge by what it will cost us in labour or by what we must give up if we take it in preference to other things. If we are to spend a day in making a fence, we may say the fence will cost us the labour of a day; or we may say the fence will cost us a trip to town which we shall need to give up for the purpose. We must not add the two together and say the fence will cost us both the labour and the abstinence, the fact being that the negative element (of abstinence) is already included in the positive, and if they are taken "cumulatively" the cost will be taken twice over. So, if I buy a bicycle and forgo a new clock, I may say either that the bicycle has cost me so many pounds, or that it has cost me a new clock, but not both.

This line of criticism, followed towards Senior in 1834, is repeated towards Professor Marshall in 1900.

Professor Marshall had found fault with our author for not sufficiently recognizing in other authors their consciousness of more than one aspect of their subject. To Professor Marshall himself, interest seems to depend not on one element but on two, the productiveness of capital as influencing the demand for it, and the prospectiveness of its products, as influencing the supply of it. Many writers, he thinks, have laid stress perhaps unduly on one of these factors, without thought of denying the existence of the other; but our author has put such writers in the pillory of "theorists of productiveness" or "theorists of special use," &c., &c., while they differed from himself mainly in words. The late President Walker put it more bluntly and declared Böhm Bawerk to be an unsympathetic critic. Like John Mill, Böhm Bawerk is always slow to believe that a dispute between reasonable men is purely verbal; and he maintains his scientific integrity against all comers. It will be enough to give his rejoinder to Professor Marshall.

He admits that Professor Marshall's phrase "waiting" is better than Senior's, "abstinence;" but otherwise (he thinks) Professor Marshall's theory has the defects of Senior's, and is open to the objections just given. If interest is the reward of waiting, waiting is represented as part of the sacrifice of him who waits; but (to the *agio*-theorists) the value of the thing waited for has been judged at its relatively high figure in spite of the futurity; and we must not proceed to expect an increase of that same value when the discounted interval has run its course. It is its high value that has made us deem it worthy of the waiting, not the waiting that has caused its value to be high. It might be suggested, though the suggestion is not our author's, that the difference between the two economists is one that naturally occurs where one economist regards cost as (with reservations) a cause of value, and the other sees in it essentially an effect. It may be added that the *reductio ad absurdum* of the doctrine of waiting given by Prof. Böhm Bawerk (p. 632) is surely not by itself conclusive. If long waiting adds to value, then waiting for ever (it is said) must make the value infinite instead of (as now) making the value *nil*. It might be answered that, if waiting is treated as cost, it would fare as cost in general fares, on the received theory; a greatly increased waiting would lead to a greatly increased value, but an infinitely or even indefinitely increased waiting, or any other kind of cost, would lead to an abandonment of all attempts to meet it.

One point more may be mentioned in this connection. Professor Marshall thinks that if the *agio* of the present over the future in the sense of "the preference of present over deferred gratifications," ceased to prevail generally among men, in fact, if every one was more anxious to provide for the future than to enjoy in the present, and if new openings for investment were so small that the accumulations of wealth exceeded the demand for loans, then the phenomenon of interest would disappear (Principles, 3rd ed. 663, and note), or rather "interest would be negative all along the line," and, if it is not an Irishism, the lenders would pay the borrowers. Our author shrewdly remarks that it is not only a question of deferred gratifications but of deferred goods, and, as long as certain goods are produced most abundantly in a roundabout way that takes time, there will be interest on the capital producing these goods. Even if there be no new openings, the continuance of the old, if they are of this sort, will mean the continuance of interest (2nd ed. Hist., pp. 635, 636, and note).

Here, again, it may be observed that the difference between the two economists follows from their view of the relation of cost and value; Professor Marshall naturally considers that where the waiting ceases to be a sacrifice it ceases to determine value.

A new face is put on the "Abstinence Theory" by Mr. Carver in the *Harvard Quarterly Journal of Economics* (Oct. 1893). Mr. Carver says that, when the "abstinence" concerns goods that have really a

higher final utility for the abstainer than the present goods, it cannot be said to have any sacrifice in it, and therefore (he concludes) cannot cause interest, but, when a man pushes his saving so far that the value of the conserved means of satisfaction in the future is really less than the value of present means of satisfaction, then he is doing a work of supererogation, and must be rewarded for it—by interest. To this contention our author replies that Mr. Carver is putting cause for effect. In society as it is, interest exists, and therefore the individual in question judges that a deferred article, worth less to him without interest, is worth more to him with interest than a present article. The interest itself is due to the deferring, but in no way as a reward for it. "Beyond question, interest arises from the scarcity of capital, which is synonymous with the scarcity of means of satisfaction devoted to the future. Carver, on the contrary, would have it arise from the abundance of the said means of satisfaction as a consequence of a sort of plethora of savings. Just as a rise in the value of money caused by a scarcity of money provokes a secondary current which tends to weaken the intensity of the scarcity, a higher purchasing power of money tempting out into the Mint much of the precious metals hitherto used as ornaments or plate, and thereby creating an increased supply,—even so the interest due to the scarcity of capital sets up, by its very existence, a secondary current which tends to reduce the proportions of the scarcity, the existence of the interest giving occasion to the extension of saving beyond the point at which it would have stopped without the interest. But the increased minting of gold and silver articles cannot be regarded as the efficient cause of the rise in the value of money; neither can the extra saving (created by the existence of the interest), nor can its mere accompaniment, the lessened final utility of the savings, be regarded as the master-force which creates the interest and determines its amount." (645-6).

The author is evidently in full fighting strength, and his style is vigorous, clear, and logical as of old, with periods no longer than of old, if not much shorter. German has been the language of long sentences; it is ceasing to be so, and the blessed change will some day be visible even in economic writing.

J. BONAR

Zur Geschichte und Politik des Verkehrswezens. Von GUSTAV COHN. (Stuttgart: Enke. 1900. Pp. x, 594.)

THIS is a volume of chips—some of them, it must be confessed, fairly large and solid blocks—from the workshop of the well-known student of, more especially, the economics of transport. And of the nine essays which the volume contains Professor Cohn has devoted no less than seven to his favourite subject. The two remaining papers may here be briefly passed over, with the less reluctance because, as they deal with matters more familiar and less unattractive to English economists in general than are the transport questions which occupy

the rest of the book, they are the most likely to be studied at full length by readers of the JOURNAL. The one, "Die Gegenwärtige National-ökonomie in England und Amerika," dates from as long ago as 1889—since which not a few things have happened. The second, "Zur Geschichte der Wirthschaftlichen Kartellen," gives a highly interesting history, both parliamentary and economic, of the coal "combine," which for practically half a century (1787—1836) fixed prices and regulated output in the Durham and Northumberland fields. A third essay may also be dismissed in a sentence. It deals with the Indian system of guaranteed railways and commences with the statement that "English railway policy lays aside its characteristic features as soon as it gets across the British Channel," which to those who believe in the truth of the adage that circumstances alter cases would hardly seem to be a matter of reproach. But it only brings the history down to 1884, and though it points out—as has been done before and since often enough, not in India only, but in France and all the other countries which have adopted a system of guarantees—the obvious objection to the system, that the State bears the losses and the companies carry off the profits, it fails to make clear what better policy the Indian Government could have adopted under the circumstances then existing. Writing in 1886 Professor Cohn seems to have expected that India would go over to a pure State system. The public utterances and the actions of its Government since then have belied the expectation. And assuredly General Strachey, who in 1884 appears to have advocated State ownership, has shown since then by his administration of one of the great Indian companies that the advantages are not all on the side which he then supported.

Two other papers—"Wandlungen der Socialpolitik in der englischen Gesetzgebung" (in the main a sketch of the course of the inquiries which led to the passing of the legislation of 1893 on the subject of railway servants' hours of labour) and "die Aussichten eines englischen Staatsbahnsystem"—were reviewed at some length in the JOURNAL (Sept. 1892 and March 1899) at the time of their original publication. But one or two points may be here noted. Professor Cohn is so convinced a believer in the advantages of State railways—indeed the word he commonly uses to denote the transition from private to public ownership is the word "reform"—that he sometimes unconsciously impresses into the service those who would be not a little surprised to find themselves enlisted. The late Lord Farrer, for instance, would have been, if we mistake not, a good deal astonished to find himself set down, on the strength of his evidence before the Joint Amalgamation Committee of 1872, as in favour of Government railways. Certainly the report of that committee, which was, we believe, drafted by Lord Farrer, shows no signs of any such leaning. Dealing with a more general question, Professor Cohn is, as is well known, a great admirer of the "realistische Lebendigkeit" of our English system of inquiry by commissions and committees, and attaches very great importance to the evidence con-

tained in English blue-books. Indeed in this very volume he takes Professor Gneist sharply to task for presuming to suppose that he can construct an accurate picture of the practical working of the English Constitution merely from a study of the dry bones of the statute book. But it may be questioned whether Professor Cohn himself does not fall, though, it may be, in a less degree, into the very error of which he accuses Gneist. He appears to accept as sufficient evidence any statement of a competent and honest witness which is not cross-examined or contradicted. Now an Englishman who has had practically to do with the proceedings of Royal Commissions or Parliamentary Committees knows very well that practical English men of business, when giving evidence on practical matters, often base the widest and most far reaching generalisations on the scantiest of premises, and commit themselves to broad statements of principle without ever having seriously considered all the bearings of the doctrine which they so boldly enunciate. The practical members of the committee in their turn, listening to such statements, unconsciously but with entire justice, cut down their general application to the particular point at the moment in question, just as a judge cuts down the wide general words of an Act of Parliament to cases *ejusdem generis* with the particular cases dealt with in the statute. As an instance of this may be given the well-known dictum of (as he then was) Captain Tyler, which is quoted more than once by Professor Cohn as though it represented literal fact, that "the State must control the railways, or the railways would control the State." Probably the members of the Joint Committee of 1872—almost all of whom were Cabinet Ministers, past, present or future—were not much frightened by this terrible prospect. It may even be questioned whether Captain Tyler was really much alarmed himself. He was at the time of speaking one of the inspecting officers of the Board of Trade, and doubtless in that capacity was much impressed by the passively obstructive attitude taken up at the time by several great companies in reference to then much needed reforms. He felt that something must be done, and, in order to startle the Committee into attention to his complaint, expressed his feelings with the natural exaggeration of epigram. But if, after a lapse of a generation, Sir Henry Tyler, in his present capacity as an experienced railway director, were put back into the witness-box, it is not unlikely that he would give evidence to show that the State controls the railways not too little, but too much, and this without feeling that there was any very sharp contrast between his views thirty years ago and his views to-day. We have dwelt on this point at some length, because we think that Professor Cohn is not the only student of blue-book evidence who forgets that the majority of the witnesses in inquiries of such a kind are more or less in the position of advocates, there to make a case on one side or the other,—and conscious that the tribunal before which they appear will so regard them—rather than witnesses come to give evidence on questions of

positive and literal fact. Had Professor Cohn as intimate an acquaintance with evidence before English commissions and committees, when given *viva voce*, as he has with it when printed in blue-books, it is possible that he might find some other explanation for the undoubted fact, that "a careful and unprejudiced reader of the actual evidence obtains a very different impression from that which a perusal of the report conveys," than is contained in his suggestion that the committee waters down its report to Parliament to suit the views of the majority.

The remaining papers in the volume deal with the two burning questions of Prussian transport policy, the question of internal water communication, and the closely allied question of the surpluses of railway revenue. On this second question, Professor Cohn quotes the report of the committee and the statement of the Finance Minister, which formed the basis on which the railways were acquired by the State, and shows conclusively that, so far from intending or expecting to use the railways as a source of revenue for general State purposes, those responsible for Prussian railway policy were prepared in the interest of the general economic and social development of the country to reduce rates and increase facilities, even if the result were to produce a deficit in railway revenue to be met out of general taxation. Twenty years have passed, there has been no general reduction of railway rates, facilities for passenger traffic more especially are admittedly inadequate, the long-promised reform of passenger traffic is apparently postponed *sine die*, and the railways are paying over to the Prussian exchequer sums which, after covering the interest and sinking fund of their own debt, leave a surplus which recently has amounted to something like fifteen million sterling per annum. But, while accentuating the flagrant inconsistency between promise and performance, Professor Cohn does not hesitate to justify the present attitude of the Prussian Finance Minister in clinging to the railway surplus with the same tenacity with which the English Treasury holds on to the Post Office revenues. And certainly in our judgment he makes out an exceedingly strong case. Briefly, it is as follows: No one, says the Professor, accuses the Prussian Government of extravagant expenditure of its present revenue. Rather is it admitted that more money is required for urgent public needs. But that money is not forthcoming. The Empire is in a state of chronic insolvency, and only succeeds in balancing its accounts on paper by the familiar expedient of describing as extraordinary, and then charging to capital, expenditure which every one knows to be really ordinary and recurring. The Kingdom of Prussia pays its way, but no more. This being so, if the railway revenue is to be reclaimed for railway purposes, the deficit in the Prussian budget can only be met by the imposition of new taxes. But what are these taxes to be? The lower classes are taxed up to the hilt already by Empire, State, and local authority. Bread is taxed, and coffee, and salt, and paraffin. Incomes of no more than

£45 per annum are assessed to the income-tax.¹ To impose on the wealthier classes taxation as heavy as English financiers have succeeded in introducing, by death duties, income-tax and the like, would be a way out of the difficulty economically justifiable, but is as a matter of practical politics utterly impossible. Failing the possibility of largely productive new taxation, the maintenance of the railway surpluses at their present level is absolutely essential.

But the Professor is not content with the argument from necessity. He maintains that to work the State railways as machinery of indirect taxation is economically justifiable, and that in the main this tax falls upon those who can and ought to pay it. And he criticises scornfully the action of those who, whether from ignorance or bad faith, allege public interest as a reason for throwing on the taxpayers—that is, the poor man—the cost of maintaining State institutions from which different classes and individuals of the community receive benefit in widely different degrees. He instances representatives of the Berlin working men who took part in a deputation to the Minister for Posts and Telegraphs to urge the reduction of telephone charges below a remunerative rate. Dealing with railways in particular, the Professor points out that passenger fares are mainly paid by the well-to-do classes; the really poor could not afford the time and the expenses of living away from home, even if railway fares were reduced to zero. As for goods, so far as the railway revenue is raised from high-class articles, it is a tax upon luxuries. Even in the case of the rates on coal or corn, there is a great doubt whether a reduction in the rate would reach the ultimate consumer, or, at all events, reach him immediately.² Having regard to the time and money that the great merchants and manufacturers spend in agitating for lower rates, the Professor has great difficulty in thinking that they are quite free from motives of self-interest, and know that they must pass on any concession wholly and immediately to their customers. The argument seems convincing, but there is one case on which the Professor does not touch which may be worth raising. Supposing a manufacturer says: "On the present cost of production (railway rates included) it is not worth my

¹ Professor Cohn insists strongly on the superior justice of our English system of taxation, which allows the poorest classes to escape payment almost entirely. English municipal Progressives, on the other hand, hold up Germany for our admiration on the ground that there local expenses are met not solely by rates, which in appearance wholly, and in practice largely fall upon the occupier, but also to a considerable extent by direct taxation, *Einkommensteuer*, *Gewerbesteuer*, &c. Perhaps neither side, in comparing the one country with the other, has sufficiently had in view the incidence of the total taxation, State and local as well, on the different classes in the respective countries.

² Franz Ulrich, in his *Staatseisenbahnen, Staatswasserstrassen und die deutsche Wirthschaftspolitik* and subsequently in *Eisenbahnvereins-Zeitung*, has shown from actual figures that the considerable reduction in the wholesale cost of coal at Frankfort, brought about by the canalisation of the Main, fails to be reflected in the retail prices of the same town. His figures have been violently attacked but in no way disproved.

while to increase my output"; or, it may be, "I cannot compete in neutral markets; give me lower railway rates, and the profit will be sufficient to tempt me to put capital into the development of my business, and so will lead to the employment of new hands at good wages." Here the manufacturer is frankly egoistic, and announces his intention of holding on the reduction, while making no claim *in forma pauperis* to obtain one, and yet it might well be in the public interest to grant the concession he demands.

... Holding the views he does as to the right of the State to retain and use for general purposes the railway surplus, Professor Cohn naturally is strongly opposed to any attempt to devote any portion of it to the construction of new canals. He pours scorn upon the logic of the canal advocates, who simultaneously declare that internal water carriage is economically superior to railway carriage, and that water carriage is only possible provided the State will supply and maintain the water-way free of charge. He declaims against the injustice of making the railway Cinderella do all the dirty work, while reserving all the benefits for the favoured sister. He appeals to the experience of England, where—private enterprise against private enterprise—the canal competition with railways has become a negligible quantity; where the Manchester Ship Canal, spite of its modern perfection from the technical point of view, has failed to fulfil any of its initial promises and could only be finished by pledging deeply the rates of the City of Manchester; where even the coasting trade fails to hold its own with the railways, and declares that a canal is always an essentially inferior means of economic transport to a railway, and that to build canals to do work which could be better and more cheaply done by railways must be an economic waste.¹ Finally, he notes the absurd contradiction of fiscal policy which sets up customs barriers to keep out foreign corn and compels the railway to abandon its carriage at special but profitable rates, lest that policy should be counteracted, while at the same time it spends millions in improving the toll-free highway of the Rhine in order that foreign ships may carry into the heart of Germany American wheat at rates which, as they include nothing but actual cost of carriage, can be and have been so far reduced, that not only are they far below the lowest special rates which the railways ever dreamed of charging, but they actually more than offset

¹ Professor Cohn might have further strengthened his case had he cited American experience. There the Erie Canal, though free of toll, has ceased of late years to be a factor in the rates from the Great Lakes to the Atlantic seaboard, and the Legislature of New York State is discussing whether by an expenditure of many millions it is possible to galvanise it into fresh life. Even the great Mississippi is losing its commercial importance. Each year a larger proportion of the coal of New Orleans comes in by rail. And this in spite of the fact that the water carriage is on so wonderfully economic a basis that from Pittsburgh, down the Alleghany, the Ohio and the Mississippi, a single tug guides the course of a fleet of some thirty to five-and-thirty barges with a gross load amounting at times to no less than 40,000 tons.

the protective customs duty itself. The argument is unanswerable and remains unanswered, but unfortunately the big battalions are on the other side. The Emperor personally believes in canals—not having apparently time to study economics—and the State officials, both railway and other, have had plain warning that it is dangerous to oppose his wishes, and at the present moment it looks as if the great capitalists of the Rhine-Westphalian basin were on the verge of reaping the reward of their patient agitation, and Prussia were about to squander many millions of the hard-earned railway surpluses in schemes for canals, which are not only superfluous, but must, if and so far as they succeed, succeed at the cost of the State railways, thus killing the goose whose golden eggs form so large a portion of the food of the famishing Prussian exchequer.

One word in conclusion, seriously but in all good humour. Professor Cohn spends a not inappreciable percentage of his space and his readers' time over protestations of his professional impartiality and scientific detachment, and in objurgations at the stupidity or worse of readers who have misunderstood and misrepresented him. Under the circumstances, he would perhaps do well to admit that other people may be honest, even where they differ from him, and that misunderstandings may conceivably take place on his side also. Had the possibility of such a state of affairs occurred to him, I am sure he would not have reprinted in 1900 an impeachment of the good faith of the present writer originally printed by him in the *Archiv für Eisenbahnwesen*, in consequence of a review of mine in this JOURNAL as long ago as 1892. To that impeachment I have no wish to reply, except by subscribing myself as a warm admirer and grateful student of the Professor's writings, and heartily commending this his latest work to the attention of all economists interested in the subjects to which it relates.

W. M. ACWORTH

Bankpolitik. By Dr. WILLIAM SCHARLING, Professor at the University of Copenhagen. (Jena : Gustav Fischer.)

THIS is an elaborate treaty on the general principles governing banking and the issue of banknotes. It does not pretend to enunciate any new or startling theories, but rather summarises the best opinions of the best writers on the subject, and thus will be a most valuable work of reference and instruction for the large class for which it seems primarily intended, viz., the men practically engaged in the administration or management of banks. These men, though intimately acquainted with the routine of their calling, are often imperfectly informed on the theoretical groundwork, and therefore likely to be at sea when business takes a new and unexpected turn, when personal experience fails to be a sufficient guide, and a new policy of business has to be constructed by reference to first principles. The book is written in an easy, popular style, and the author has not hesitated to

repeat himself occasionally in order to make his meaning thoroughly plain. A great deal of space is given to the historical development of the different leading national banks, not so much for the sake of teaching history as to drive home the lessons of the past. It is only natural that in this connection very copious references are made to English and Scotch developments, since modern banking all the world over has to a large extent taken its model from Great Britain. Professor Scharling is not an out-and-out partisan of the Peel Act. On the contrary he clearly perceives its fundamental mistake of making provision for the safety of the banknote only and endangering its usefulness by neglecting to equally safeguard the deposits in the banking department. The absence of elasticity in the banknote issue under the Bank Act of 1844 has accentuated every crisis which has since arisen in this country, if indeed it has not helped to produce some. The idea governing the Act was to create a mixed currency of gold and notes, which should move in the same way as if it consisted entirely of gold. It rested thus on a double error, for (1) the intended movement was not secured, and (2) even if secured, it was not desirable. Experience has shown the circulation of notes to remain fairly constant, so that any movement of gold into or out of the bank has not affected the circulation, but the reserves. The lesson to be learned is that banking cannot be converted into an automatic machine, a lesson emphasised in other countries, whenever it was thought that a mere copy of the English Act would secure a safe system of banking. However, Professor Scharling admits that the Bank Act had a historical excuse, that it had worked educationally and taught the directors of the Bank to successfully defend its reserves by a correct discount policy. Thus all the drawbacks arising from the Act being built on false principles have been successfully overcome, though British trade has been deprived of the great advantages which an elastic note issue is bound to confer. Professor Scharling is of the opinion that even the German Reichsbank does not enjoy the advantages of the elastic principle to a sufficient extent. For the differences between the maximum and minimum note circulation in Germany are constantly growing, £38,000,000 in 1891 against £16,000,000 in 1879, while the fiduciary note issue had remained unaltered since 1873, till it was raised at the beginning of this year.

There are one or two points where practical business men may be disinclined to agree with the author. Professor Scharling appears to consider bills of exchange as currency. This may be a theoretically defensible position: in practice bills of exchange are a commodity which, when sold under discount, employs and absorbs money without increasing the circulation. Another disputable point refers to the proportion which the capital of a bank should have to its liabilities. It is true the author admits that a hard and fast proportion can scarcely be given, but still he suggests one-third as a fair relation. I need hardly state that, for highly-developed banking, this would give

far too large a capital. It is true that the German Bank Act limits the "interest-bearing" deposits of the Reichsbank to the total amount of the capital and reserves of the bank, but then a national bank takes very few "interest-bearing" deposits, and, even if otherwise, this provision is no proof of its own correctness. One more point. It is quite clear that the author has a secret preference for "Freedom of Note Issue," and regrets the modern tendency toward the system of a Central Bank of issue. His arguments on this point, however, are hardly convincing. He lays insufficient strength on the duty falling on the great modern "Bank of the banks"—for that is what all national banks are gradually becoming—of regulating the foreign exchanges and protecting the central reserves. Local issues of notes have been of use in the past and have rendered good service, but their days are gone and the future belongs to the monopoly notes of the great State banks.

HERMANN SCHMIDT

Social Justice. By WESTEL WOODBURY WILLOUGHBY, Ph.D.,
Associate Professor of Political Science in the Johns Hopkins
University. (London: Macmillan & Co. 1900. Pp. 380.)

PROFESSOR WILLOUGHBY has written an interesting book. A considerable part of it consists of a historical sketch of various political theories, but the writer's own views are also clearly stated. Starting with the ethical system of T. H. Green, which, for the purposes of this work he takes as established, he has endeavoured to apply its principle to "the concrete problems of social life." His argument is as follows: "The realisation of one's ethical self is the general categorical imperative addressed to every one." Corresponding to this duty, every one has a right to claim from society "an opportunity for the fulfilment of highest aims," and this right cannot clash with the similar rights of others, because it is "the general duty of all, in the pursuit of their own ends, to recognise others as individuals who are striving for, and have a right to strive for, the realisation of their own ends." Since the "highest aims" of different persons are different, the means whereby, and the opportunities through which they can be best attained are also different; whence it follows that "the rights which different individuals may properly claim must vary according to their ethical dispositions and capacities." Under ideal conditions the State would see that their rights were enforced, but in practice it is impossible to discover what these rights connote. Consequently, all that the State can do is to try, by rough general methods, to promote ethical development upon the whole, acknowledging that some individuals must be sacrificed in the process. These methods come to very much the same as those which utilitarian ethics would suggest; thus private property in land and other things is justified, "economic equality" is condemned, and a deterrent, preventive, reformatory and educative system of criminal law advocated, upon grounds which are

practically identical with those adopted by Professor Sidgwick. This is no place for an examination of Dr. Willoughby's ethical views, but it must be observed that much of the criticism of utilitarianism, which is scattered throughout his volume, is rendered comparatively valueless by the fact that he entirely ignores Professor Sidgwick's writings. The *Ethics* and *Elements of Politics* are not open to any of the strictures which he passes upon Bentham and Mill.

The fifth chapter contains a clear criticism of the socialist doctrine of "the right to the whole produce of labour." It is further argued that any attempt on the part of the State to distribute economic goods in proportion to labour is impracticable, since, among other things, the relative amounts of different kinds of work would no longer be automatically settled, but would have to be determined by Government officials, and there would be no means of comparing the value of work in different employments. It is also maintained, in an interesting chapter on the *Ethics of the Competitive Process*, that competition is on the whole beneficial, and that therefore the State's industrial action should be principally confined to those spheres which private enterprise, if left to itself, would either monopolise or neglect altogether; while its regulative powers should be employed for preventing the limitation of private freedom by voluntary societies, and for securing competition "along the highest lines," by prescribing rules with regard to such things as "hours of work, employment of women and children, and maintenance of hygienic conditions. The educational functions of the State could in like manner be subjected to almost indefinite extension."

A. C. PIGOU

The Cely Papers: Selections from the Correspondence and Memoranda of the Cely Family, Merchants of the Staple, A.D. 1475—1488. Edited for the Royal Historical Society by HENRY ELLIOT MALDEN, M.A. (London: Longmans, Green & Co. 1900. Pp. 205.)

A GENERAL idea of the contents of these letters and papers can be gathered from the very full introduction which Mr. Malden has prefixed to them. During the period which they cover, as throughout the preceding fifty years, the Staple was fixed at Calais, and much of the correspondence is between those who were looking after the Cely interests there and old Richard Cely, who had ceased to travel outside of England. Among the points which the correspondence brings out, not the least noteworthy is the chaotic state of the coinage with which merchants of the time had to deal. Mr. Malden has collected a list of the foreign coins that were circulating at Calais, and the varying quality of which made the rate of exchange with English money a continual subject of dispute. The dangers of travelling by sea, whether in time of war or peace, are also amply illustrated, as, for example, when "ther cam iij passonges from Dower and ther

was ij grett schyppys of war of Frensche men chasyd them into the hawen mowthe," though the two countries were nominally at peace (April, 1484). Nor are instances wanting of dishonest dealing on the part of eminently respectable merchants. "That wool was misdescribed, that it was adulterated, that it was sometimes practically bought in England, not at Calais, amply appears from the letters." One written by William Cely to Richard and George, and dated September 12, 1487, shows with what complacency deliberate swindling was sometimes regarded. The following is an extract from it: "I can nott have yowr wull yett awarddyed for I have doo cast owte a sarpler the whych ys poyntyed be the lefftenaunte to be casten owte to wardd the sortt bye xxx the whych sarpler that I have casten owte ys n° xxiiij and theryn ys found be William Smyth paker a lx myddyll flessys and hytt ys a very gruff wull and soo I have cawsyd William Smyth prevely to caste owte anoder sarpler n° viij and packyd up the wull of the fyrst sarpler yn the sarpler of n° viij for thys last sarpler is fayr wull."

A. C. PIGOU

The Despatches and Correspondence of John, Second Earl of Buckinghamshire, Ambassador to the Court of Catherine II. of Russia, 1762-5. Edited for the Royal Historical Society, with Introduction and Notes, by ADELAIDE D'ARCY COLLYER. (London: Longmans, Green and Co. 1900.)

THESE letters and despatches are of more importance to the political than to the economic historian. The latter, however, will find in them several references to the social condition of Russia at the time. For example, in a letter to the Countess of Suffolk, the roads are described as "the most detestable in the universe," and the house in which the duke found himself at Moscow as "a most wretched, ruinous house, furnished with no fixtures nor any movables but rats and bugs, detestable animals in themselves." Mention is made of the position of English merchants in Russia, and an account given of attempts which tobacco growers in the Ukraine made to oust those of England and Ireland from the French market. The methods of Russian diplomacy are illustrated by the following piece of advice which our ambassador gave to the Earl of Halifax: "If the treaty of commerce is concluded upon terms agreeable to his Majesty, I should rather think it advisable that presents should be made to him (Count Orlov), to Bestucheff, Panin, and the Vice-Chancellor. . . . I must add that possibly an expense of this kind is not absolutely necessary, though they have been but too much used to presents here."

A. C. PIGOU

A Plain Examination of Socialism. By GUSTAVE SIMONSON, M.A., M.D. (London: Swan, Sonnenschein & Co. 1900. Pp. 155.)

THIS book is an attempt to refute the arguments of the Socialists in popular language. It starts with a consideration of "essential, human

and economic facts," passes on to review the present system of society, and finally criticises the Socialistic ideal, according to which all the instruments of production should be owned by the State. The criticism contains a good deal that is true, but nothing that is particularly novel or strikingly put. The whole discussion is thin and superficial, while, in the general survey of principles, which occupies the earlier part, there is a good deal of confused thinking. This is the case, for example, when the writer is examining the different natural "rights," which some Socialists declare to be inherent in all men, and especially in a very unsatisfactory chapter devoted to "value." Dr. Simonson does not appear to address himself to serious students, and certainly he has nothing to say that could be of interest to them. Unfortunately, however, the weakness of much of his economic analysis makes it impossible to recommend his work even as a popular manual.

A. C. PIGOU

The United States in the Orient. By CHARLES A. CONANT.
(Boston and New York. 1900. Pp. x, 237.)

THIS book has evidently been written with the object of justifying to the American people the new imperialism. Mr. Conant agrees that the time has come to give up the "blind idolatry of the Monroe doctrine" and "devotion to the stay-at-home policy of the eighteenth century" (160), and gives his reasons, of which the following may be taken as a fair representation in outline. In all advanced countries there has been such excessive saving that no profitable investment for capital remains, and waste and disaster result. Therefore an outlet for surplus savings and products is "necessary to the salvation of these countries" (3). "Such outlets might be found without the exercise of political and military power, if commercial freedom was the policy of all nations" (1); but it is not, and therefore America must be prepared to use force if necessary to secure fresh markets (191). And there must be no delay, for other nations have already taken away "the element of a fair fight under the conditions of economic freedom" by appropriating large tracts of undeveloped country and fencing them off with discriminating tariffs (160). Further, protection is to be given up, for while it "may be useful in stimulating infant industries . . . it becomes a relic of mediævalism when it stimulates production which has already become excessive, and which can find an outlet only in a field which protection cannot enter" (89). For the impending struggle America has peculiar advantages: it is big and can bear "the costs of preparation for the coming conflict," and it has coal and food. Moreover, the organisation of some of its industries on a large scale in the form of trusts will assist it greatly in the fight for commercial supremacy, as will also the fact that the business life is regarded as honourable in the United States, where, further, the highest posts are open to all (ch. 7).

Such, in brief, is the work before us. Had the author asked himself seriously at each stage of his reasoning what exactly he meant, and how far his positions were established, he might have written a book with some claim to be regarded as a contribution to modern economic thought. Instead of doing so, however, he has repeated without question the elusive talk of the market place; though it must be admitted that here and there his argument is to some extent redeemed by flashes of insight into things beneath the surface. Our author seems to believe that there is over-saving or over-production. If so, the opening of foreign markets is no cure, for one cannot sell without taking something in exchange. Obviously, if the labour of a nation, however applied, provide more than the nation can possibly consume—which is inconceivable—the only solution of the difficulty by way of foreign trade is by charity, or such an outlet as the Maelström. But Mr. Conant cannot consistently mean what he seems to say, for one of the evils, he remarks, of “the congestion of capital” is the falling of the rate of interest to such an extent that saving becomes insufficient to avert destitution in old age (93, 94). In other words, wants are so greatly in excess of output that many, even the most pressing, must go unsatisfied. And it is certainly not immediately obvious that a low rate of interest is so undesirable, even dangerous, as Mr. Conant imagines. It is absurd to suppose that capital can be employed up to the very limit of its efficiency and yet yield a high rate of interest; and if the high interest is to be preferred, then the less capital a country has the better. No, most of our author's representations of the nature of the need for more foreign markets are not “new economic problems” but old economic fallacies. The simple fact of course is that it is worth while striving for freedom of trade chiefly because of the increased satisfaction which can be acquired thereby for a given expenditure of effort, and because it is stimulating to all competing nations, as Mr. Conant himself sees (210). The book is marred by constant repetitions, which are no doubt attributable to the fact that the several chapters originally appeared as magazine articles.

S. J. CHAPMAN

L'Origine del Baratto. By M. PANTALEONI. (Bologna: Garagnani. 1900. Pp. 173.)

THE eminent Professor at the University of Geneva collects in this book four learned articles published in the Italian *Giornale degli economisti* (1899-1900), and briefly noticed in a former number of the Journal. He points out that the origin of the bargain—if by that is to be understood not its very beginning, that would be rather a metaphysical question, but the historical precedence of a form of archaic bargain among many we are acquainted with—is closely connected with the social conditions of the community in which it took place. Ancient societies can be divided into two quite different types: political and *mamertine*. Bargain did not originate

within the former because of two institutions which pierce all their economic life, namely (1) the gratuitous character of almost all of the juridical treaties which are onerous at the present day, (2) the institution of arbitration which served for the distribution of co-operative products and replaced our modern distribution by demand and supply. No more did bargain originate within the latter, because to the obstacles we find in patriarchal societies is to be subjoined the institution of slavery and servitude. As, however, these obstacles did not act between foreign societies, it is right to explain the origin of bargain as based on international relations. Almost all writers agree upon this point, but divergence of opinion begins when we want to know something more about these international relations. One group of doctrines recognises in the institution of hospitality, that is to say in the *jus hospitale*, the more ancient form assumed by contracts between foreign people; a second group connects the origin of bargain with the decline of the community of worship, food and roof within a Tribe i.e. with the partition of the same into two or more which established themselves in distant seats, but still preserving friendly relations; and a third group from quite a different standpoint hold that the first bargains ever known were made by societies between which intercourse was strictly prohibited, so that they were what we call tacit bargains. Professor Pantaleoni takes this last point of view, to support which he displays a considerable amount of erudition and ability. Against the second group of theories which asserts that Andamanese savages are the best historical example of the conditions they postulate, he shows that Andamanese bargains are not in the least performed by a primitive people and the commodities employed for this purpose were already obtained by previous exchanges. Against the first he urges that the very significance of the *jus hospitale* is the reception of foreigners as members of the Tribe so that the gifts which were exchanged by the parties on this occasion were no more than accessories of the very fundamental fact. We shall note, *en passant*, that the pages in which Prof. Pantaleoni works out his theory of the *jus hospitale* are perhaps the most ingenious and interesting of all the book. Then that silent bargains were the first known archaic form seems the most credible hypothesis and the probabilities in its favour can be deduced from a comparison of the conditions that it and the *jus hospitale* respectively presuppose. The *jus hospitale* implies that the *gens*, this primaevial social molecule, opens and accepts into its midst a foreign element, assimilating it; silent bargains, on the contrary, imply that the *gens* remains exclusive and rejects any contact whatever with foreign elements. The *jus hospitale* is broadly speaking an act of exogamy, that is to say, it presupposes the instinct of cohesion overthrown; silent bargains on the other hand accord with the feeling of repulsion against the foreigners and confirm the will to remain endogamic. Now, as Signor Pantaleoni urges, how powerful was the cohesive force of the *gens*, we can infer

from what of it exists nowadays in savage races as well as in civilised nations. The theory of the tacit bargain is developed at great length by Prof. Pantaleoni, but we hope it is enough for our present purpose to have given even some imperfect notion of it. Readers will find it very profitable to peruse this little book, which in many respects is one of the most valuable contributions to the study of primitive economic history.

G. VACCHELLI

Richard Cantillon, un Mercantiliste précurseur des Physiocrates.

Par ROBERT LEGRAND. (Paris: Giard et Brière. 168 pp. 8vo. 1900.)

MR. JOHN MORLEY has warned the student against the danger of becoming absorbed in enigmas of history, like the identity of Junius or of the Man with the Iron Mask. Something of the same fascination clings to the mystery of the life and works of Cantillon. Who caused his *Essai* to be published? Why are two of the passages in italics? What has become of the Supplement? Are any manuscripts of the author extant? How was Postlethwayt able, in his *Dictionary*, to quote lengthy passages from Cantillon in English before the *Essai* appeared? Whence did the early biographers in the *Biographie Universelle*, etc., get their facts about Cantillon's relations with Law and the Princess of Auvergne? These are some of the questions to which we have no answer. At one time or another I have referred to scores of volumes of the gossiping chronicles which make up a large part of the literature of the Regency in France, without finding the slightest trace of Cantillon or of the Princess. Her name appears in his law papers, of which some account was given in the first volume of this JOURNAL, but we have still to wait till some one stumbles on the printed record to which the French writers of a century ago were doubtless indebted for their information. Mr. W. A. Shaw, the well-known writer on monetary history, informs me that, in cataloguing the old Treasury papers in the Public Record Office, he has come upon a Treasury warrant for the issue of duplicate orders for Government payments to Cantillon's executors, the originals having been burnt in the fire in which he himself was consumed. That Cantillon's descendants know nothing about him is almost enough to show the hopelessness of further deliberate research into the details of his life.

M. Legrand has not apparently felt any temptation to enter into this part of the subject. He gives a short account of Cantillon's life, evidently derived from M. Castelot's article in the Supplement to the *Nouveau Dictionnaire d'Économie Politique*, and the rest of his book is devoted to an analysis of the *Essai*, and to an attempt to show that Cantillon stands midway between the mercantilists and the physiocrats. It is unnecessary to follow him through his summary of the *Essai*. I do not always agree with his statement of Cantillon's views, and his main thesis appears to

me to be little more than chronologically correct. In his general handling of economic problems Cantillon, in my opinion, is nearer the moderns than either the mercantilists or the physiocrats are. To say, as M. Legrand does, that Cantillon was a nationalist is quite as hardy as to assert that he was cosmopolitan. A nationalist in the sense of modern French politics he certainly was not. Neither was he an Irish peer. "Cantillon de Ballyheigne, Comte de Kivry," is merely a perversion of Ballyheigue, County Kerry. The reader will generally be able to guess at the proper names from the indications given. By "Litz et Carrey" is clearly meant "List and Carey." But it may be useful to note that a French writer frequently referred to as Monly seems to be Mably.

M. Legrand ought to have mentioned that the *Essai* was reprinted for Harvard University in 1892.

HENRY HIGGS.

To the Editor of THE ECONOMIC JOURNAL.

SIR,

Some seven years ago I wrote for your Journal an article on Indian finance, with special reference to the closing of the Mints, and I am tempted to send you another line on the same subject in consequence of perusing an anonymous article in your number for this month.

My own opinion has not changed, and I still think that England has no right to force on India a gold currency and standard, unless it can be shown that the change will be for the good of India, as well as convenient for Government. I do not think that your contributor has done much towards advancing the argument in favour of such a momentous alteration.

He brings out some important points very clearly and usefully. For example, he shows that, probably, the creation of a new Central Bank would only add to the troubles of Indian traders, and that the handling of their revenues by Government, with its 260 treasuries, is far more satisfactory than the operations of such a Bank (with, say, 40 branches) could possibly be. He shows, too, how serious the inconvenience may be which arises from the fact that Government receives very heavy payments in rupees just when rupees are most wanted for the ordinary work of trade, but he does not suggest any remedy, except the impossible one of an issue of Government rupee notes uncovered by any security.

But he anticipates benefit from forcing on India a gold standard with a gold currency for three principal reasons—as I understand him—

- (1) Because it is the English plan.
- (2) Because the more gold there is in India the safer will be the exchange from any fall.
- (3) Because then silver will become a true token currency.

The first reason is really no reason at all, having regard to the different situation and needs of India, as compared with England. What suits us here may not suit the people of India, and I could never see why a standard and currency which suit one country should of necessity suit another. The difference of currency and standard may cause loss and inconvenience. That is not

denied, but the attempt to make the plans of the two countries the same may cause far greater loss and inconvenience.

Your contributor admits that the people of India do not want gold, and that "coaxing and coercion" will be needed in order to get gold into circulation in India. He would get the Post Office to exercise pressure on remitters of money so as to induce them to use gold rather than silver, however unwilling they may be, and he would abolish the convenient 5 rupee note and discourage the 10 rupee note, and, as I understand, he would substitute for them very small and inconvenient gold coins, and this to the extent of 5,000,000 rupees. He admits that, even if gold be the standard, it would "be conspicuous by its rarity," unless you can somehow force gold into the general circulation. His argument amounts to a statement that the people do not desire to use gold, though Government might possibly compel them to use it. It does not seem to be quite clear that Government could accomplish that result. He objects to "management" of the currency by Government, and he disapproves of Sir E. Vincent's plan on account of this feature of management, although his own scheme seems to involve management even more than the other.

The facts mentioned in this article show how active is the present demand for silver circulation. In the present year the author expects that $8\frac{1}{2}$ crores of rupees will be coined, and Government has to part with its gold which will not circulate in order to buy silver which can produce coins which will circulate. A short time since Government proposed to destroy rupees as being redundant, and now they are compelled to satisfy an ever increasing demand for these silver coins.

The second reason above mentioned assumes that gold can be largely used and largely accumulated as reserve in India. The argument seems to be that, given a much increased and unhoarded store of gold, the effect will be that the loss by exchange will be so far lessened and limited that the burden of taxation will be diminished. That benefit, however important, is a benefit which may be purchased at too great an expense to the people, if the plan proposed should involve a complete revolution in the currency they use in their daily business, and should injure them in their position as producers of articles which find their market in gold-using countries. That is their present position on a great scale as to many kinds of produce, so that it is impossible to regard the benefit said to arise from an accumulation of gold as an unqualified benefit, even if it be admitted that it is certain to accrue to some extent in the way suggested.

The third reason mentioned is hardly an argument. To make silver a true token currency can hardly be thought to be an object of first-rate importance. But what is important is that your contributor, in order thereto, would take from silver its power as legal tender beyond 10,000 rupees. That would be, of course, another heavy blow aimed at silver by a Government which receives all its revenues in silver, and whose people hold enormous amounts of silver coined and uncoined. I do not see any argument stated by your contributor which can be set against the obvious danger of such a proceeding. To make silver a token coin can hardly be said to be a benefit, until you have shown that silver is unfit to be used as the legal tender coin of a great people. That has never yet been proved, and may, I think, be said to be disproved by the history of India itself, to say nothing of the smaller but important case of Mexico.

Your contributor admits that one serious danger might arise if gold coins were forced into circulation, viz., that hoarding would follow. He even says that "if gold enters into the currency, it will no doubt be hoarded more than at present, and probably in preference to silver." But he does not think that this process will be so serious as to "derange" the present relation of the

precious metals. That is merely an opinion, and other well-informed people have a very different opinion. He does not say whether he is prepared to offer gold for rupees to any amount, and he does not give us any estimate as to the amount of gold which India would absorb, were silver convertible into gold; nor does he tell us whence India is to procure the gold she may thus require. In the present condition of European money markets, and having regard to the special demands now existing, while supplies of gold are curtailed, no Government would think of adding another competitor for gold in the shape of those "Indian princes and States" to whom your contributor refers, or the Indian people, when forced to use gold coins against their will.

The general result of this interesting article is not, I fear, very encouraging as to the settlement of this difficult and long-continued controversy. But we may hope that the mistakes of Government, though they hinder, will not stifle the progress of so great a country as India. Yours faithfully,

WILLIAM FOWLER

48, Grosvenor Square.

December, 1900.

NOTES AND MEMORANDA

NOTES ON THE THEORY OF INTERNATIONAL TRADE.

A NEAT instance presented by the theory of international trade arises out of the conditions under which a given commodity can be produced simultaneously in two countries between which exchange takes place, thus :

Let there be two countries, A and B, and let it be supposed that, prior to international exchange between them,

In A,		In B,
100 days' work produces 100 measures of corn.	100	100 days' work produces 100 measures of corn.
90 days' work produces 100 measures of cloth.	100	120 days' work produces 100 measures of cloth.
90 days' work produces 100 measures of iron.	100	95 days' work produces 100 measures of iron.

The comparative cost of corn and of cloth being different in each country, we have here obviously the conditions under which international exchange becomes possible. Hence, commercial relations have hardly begun between the two countries, when A will confine itself to the production of cloth, in which it has an advantage over B, while it will import from B the corn it requires. But we want to know whether both countries can go on producing iron, or what are the conditions rendering this possible.

It is plain that, in each of the two countries, the value of iron, relatively to the exported produce, will be, after international trade has begun, identical with what it was before ; *i.e.*, in A 100 measures of iron will always = 100 measures of cloth ; in B 100 measures of iron will = 95 measures of corn. Now these very equations show that it will not be possible to continue to produce iron in both countries, except on the condition that the international value of corn in relation to cloth should be fixed at the ratio : 100 measures of cloth = 95 measures of corn. In fact, if A wishes to import from B 100 measures of iron, it ought to expend the equivalent, in cloth, of 95 measures of corn. But when that value is fixed, the equivalent of

95 measures of corn comes to consist of 100 measures of cloth. And these 100 measures of cloth represent exactly the value that A ought to pay for 100 measures of its native iron, so as to exclude the convenience and possibility of importing this commodity from B. Similarly, if B wishes to procure 100 measures of iron from A, it ought to expend the equivalent, in corn, of 100 measures of cloth, i.e. 95 measures of corn. But these are the exact equivalent of 100 measures of its native iron. Hence B is deprived of all inducement to import iron from the other country. Therefore it is to the interest of neither country to procure iron by way of foreign trade, and thus this commodity will be produced in both of the trafficking countries.

But a material change sets in as soon as the international value obtaining between cloth and corn comes to vary from the case just described. For example, if it gets fixed at: 100 measures of cloth = 110 measures of corn—then A, with 100 measures of cloth, can buy, in B, 110 measures of corn which, again, can buy 115 measures of B's iron. On the other hand A, with 100 measures of cloth, could obtain only 100 measures of its native iron. Under these conditions, therefore, there is no sufficient reason for A to produce iron. *Vice versa*, if the international value as between corn and iron were: 100 measures of cloth = 92 measures of corn—then, by analogy of reasoning, there would soon be a lack of *raison d'être* to B's producing iron. And by repeating the demonstration, it can be proved that every international value different from that indicated above, renders it impossible, because unreasonable, that the two trafficking countries should produce iron simultaneously.

Desiring to set out the matter in general terms, we will say that a commodity can be produced simultaneously in two countries trading together, only on the condition that the international value obtaining between the products exported by the two countries is equal to the relation of the national values of these products as related to their common products. Or, to put it more simply still:—on the condition that the ratio of exchange between the products exported by the two nations is equal to the ratio between the quantities of the products exported, which are exchanged in each country for the same quantity of their common produce. Thus, in the example given, the international value:—100 measures of cloth = 95 measures of corn—is exactly equal to the ratio between the quantities of cloth and corn respectively which are exchanged in the two countries for the same quantity (100 measures) of the common product, namely iron.

If these considerations are plausible, it must be agreed that the true sequence of the facts is completely inverted by Mangoldt and Edgeworth. According to them, in the case in question, international value would so fix itself as to permit both the countries trading together to produce the common commodity, iron.¹ But in fact there

¹ Mangoldt, *Grundriss der Volkswirtschaftslehre*, Stuttgart, 1871; 214 ff; Edgeworth, *ECONOMIC JOURNAL*, 1894; 632.

is, properly speaking, no necessity whatever for this commodity to be produced in both countries, nor that thereby that international value should be fixed which satisfies its simultaneous production. On the contrary, international value will fix itself, without the slightest regard to this eventuality, at the point which corresponds to the wants and needs of the consumers. But among the numberless points at which that value may be fixed, there is one which does permit the production of the same kind of commodity in both countries. It is when by chance such a value is fixed that each of the two countries will produce that commodity directly, sooner than import it from the other.

From this it follows that an increase in the foreign demand for the produce of one country tends to put a stop to the simultaneous production of the same kind of commodity in it and in the countries trading with it. Thus, in our case, scarcely does a demand in B for cloth made in A raise the international value of cloth above the ratio:—100 measures of cloth=95 measures of grain—than there is an immediate cessation of the convenience A has in producing iron, and it is felt to be expedient to limit the production of it to B only. It is true that if the demand for B's iron should grow thus, the value of B's produce will rise, and, among this, of B's corn, as compared with A's cloth. But so long as the international value of cloth does not reach the level:—100 measures of cloth=95 measures of corn—iron should be exclusively produced in B.

II.

The classical theory admits that trade may be established between those nations only in which the comparative cost of their products is different; and that, for this very reason, there is no ground for its existence between nations in which the comparative cost is equal. Edgeworth, on the contrary, believes that the divergence in the comparative cost is certainly the essential condition out of which international exchange arises, but that international exchange can continue when, by altered conditions of production and demand, such divergence is done away with. Thus, for example, suppose that

In A,	In B,
10 measures of corn may be produced by 10 days' work,	10 measures of corn may be produced by 10 days' work,
10 measures of linen may be produced by 10 days' work,	15 measures of linen may be produced by 10 days' work.

Under such conditions international exchange will arise. A exports corn and imports linen, and the international value becomes fixed at the ratio:—10 measures of corn=12 measures of linen. But in consequence of A's increasing production of corn, the cost of the

latter rises till we get :—10 measures of corn in A cost 15 days' work. At this point, therefore, the comparative cost of the two products is equal in both countries. And this, according to the classic theory, ought to occasion the stoppage of international exchange. Edgeworth, on the other hand, thinks that under such conditions there will be no further increase of export and import between A and B, but that the exports and imports already set up will continue. In other words, international trade will obtain no ulterior expansion, but will none the less maintain its acquired extent.¹

I find myself unable to arrive at this conclusion. To me it seems absolutely incomprehensible that under such conditions international trade should be able to continue at all. A, in fact, obviously cannot export corn at a lower value than :—10 measures of corn = 15 measures of linen—and it is about this point therefore that international value must settle. Now it is inadmissible that B will import 10 measures of corn in exchange for 15 measures of linen when it can obtain home-grown corn at the same price. And as much may be affirmed of A with respect to linen. Hence it is evident that, under such conditions, foreign trade has no further *raison d'être* for going on. The truth is that A will proceed to develop its production of corn only until it can raise it at a cheaper rate than B can produce corn. Because, no sooner will its cost and value reach this level in A than the foreign demand for A's corn would cease immediately, and, with that, the possibility of exporting it.

III.

Edgeworth, moreover, makes the observation that, if a country producing corn and manufactured goods, and laying a duty on the latter commodities, should adopt free trade, all the operatives of the national industries would be immediately deprived of employment, because the products which hitherto consumers had procured through those industries would now be imported. A small portion of the labour thus set free might find employment in agriculture. But, inasmuch as this is subject to the law of diminishing return, the cost of production of corn would soon grow to such a pitch as to render all further export or production impossible. For this reason but few of the operatives thrown out of employment by free trade would be absorbed by agriculture, and the whole of the remainder would be permanently deprived of work.

This conclusion seems to me equally unacceptable. It is no doubt quite correct to say that whereas, under a *régime* of protectionism land-owners have exchanged corn for native manufactures, under free trade they will exchange corn for foreign manufactures. But the native capitalists who hitherto have exchanged manufactures for native corn, have just as much need of corn as before, and, since this corn can no

¹ ECONOMIC JOURNAL, 1900; 391, and references there given.

longer be obtained from the cultivators in exchange for manufactures, the capitalists will employ their operatives to produce corn directly, rather than manufactured goods. Hence the whole result of free trade will be that a certain number of operatives, hitherto employed in the production of manufactures, will be transferred to the production of bread, but there will not therefore be operatives deprived of work and employment.

Nor is this conclusion invalidated by the fact, adduced above, that the production of corn is subject to the law of diminishing return. The sole effect of the law will be to reduce the quantity of corn obtainable by the capitalists in their new industry. This will, no doubt, by narrowing the margin of profit, check future increase in the demand for labour. But it does not therefore reduce the actual demand, nor the quantity of labour now employed.

But suppose, nevertheless, that the cost of production of the new corn should become so great as to render it advantageous to import corn; or, to put the extreme case, let us suppose right away that an increase to any amount in the production of corn in the given country be impossible. Well then, the result will be that the native manufacturers, sooner than produce corn, will produce goods acceptable to the foreign producers of those manufactures which are in demand among native landowners. They (the native manufacturers) will thus procure those foreign goods which they will sell to the native landowners in exchange for the corn which they need. But in any case free trade will not have deprived a single operative of work or of employment.

ACHILLE LORIA

AN AGRICULTURAL EXCURSION IN LOMBARDY.

"WHEN I look out of the window and see the Simplon route zig-zagging up on the other side of the valley towards Italy, I cannot help sighing to think I cannot follow it." So wrote¹ Matthew Arnold from the northern slopes of the Alps. He had tasted the rich feast of historic association, artistic achievement, and natural beauty, which awaited the traveller who crossed that mountain barrier; and the feelings to which he gave expression have been shared before and since by a multitude of his countrymen. A writer, who still maintains in a third generation the literary fame which she inherited, has dedicated her most recent novel² to "Italy, the beloved and beautiful, instructress of our past, delight of our present, comrade of our future." Her graceful language would awaken a responsive echo in many hearts; for Mrs. Humphry Ward has rendered homage in a quarter where a host of English men and English women would add their willing tribute. They would confess to an invincible longing to visit, and revisit, and revisit yet again, a country the attractions of which make all else seem

¹ Cf. *Letters*, Vol. II., p. 62.

² *Eleanor*.

dreary and commonplace. Italy is above every other country the one which repays in ample measure a traveller for his exertions. It is a country where it is hard, if not impossible, to feel *ennui*. It is a country where we can rarely, if ever, rest content with the flattering unctiousness that we have seen all that is of interest, and left nothing for discovery on a subsequent visit. It is a country where it is rash, if it is not impious, to think that a single journey will, or can, suffice.

The present writer can recall delightful memories of many Italian tours; and he would hesitate to pronounce which was the most delightful. In the Easter vacation of last year he visited, going from Milan to Venice by one route, and returning by another, no less than nine cities, which for historic interest and artistic fame might occupy a front rank in any other land. Parma and Modena, Ravenna and Ferrara, Padua and Vicenza, Verona, Mantua, and Brescia, have claims on the tourist, which cannot be impeached, to certificates of the highest class of merit; and a morning spent at Bergamo at the outset, and an afternoon visit to Torcello from Venice, may be set against the omission of Bologna seen on a previous journey and Piacenza reserved for a subsequent tour. The dominant note of such a journey, as of most Italian travels, was the recollection of the greatness of the past, haunting the remains which still survived; and it was perhaps fitting that it should be preluded by brief intercourse with the economic conditions of the present. At any rate, on the day after our arrival at Milan, one of my travelling companions and I enjoyed the advantage of a visit, paid under the guidance of an Italian friend, to a country district lying on the railway between Milan and Pavia; and it is possible that some account of this visit, which was of the highest interest to us, may not seem entirely dull or arid to the readers of the ECONOMIC JOURNAL.

On the previous day, crossing the St. Gothard, we had experienced, as we left the tunnel, one of those marvellous transitions from the cold grey clouds of the North to the bright warm blue of an Italian sky, which make the traveller forget the dust and fatigue of the night journey over the inevitable plain of France. Lugano was showing its peculiar beauty in its most attractive guise as we passed along its shores; but before we reached Milan itself the sky had become overcast, and the next day did not pass without rain. We left Milan early in the morning, and alighted at a wayside station. Near the railway was a conspicuous mass of building. It was an old palace, which, by a fate not uncommon in Italy, had been turned from its ancient use to a new employment. It was now a milk factory. But the prosaic, practical end, to which it had come by the strange revolutions of fortune, had not been able to rob it of characteristic memorials of its former dignity. An airy courtyard, once adorned by statuary, and still decorated with the monogram and heraldic device of the noble family whose residence it had been, told unmistakably, as we entered the building from the side of the railway, that we were in Italy. On the

further side the main doorway opened on a spacious piazza, a prominent feature of which was a large church. Our friend was anxious to obtain permission to inspect the factory; and with this object we entered the secretary's office. We were received with extreme politeness; but no less firmly was our request refused on the ground that an absolute rule forbade the concession of such a favour to foreigners. We bowed to the inevitable decision with regret; for we should have liked, if only for completeness, to have seen the later stage of an agricultural undertaking, of which we were about to witness the earlier preparatory steps. The milk produced on the estate we were to visit was sent to this factory.

Leaving the railway, and the adjoining village, we walked some little distance. Our friend, after arranging with us on the previous evening for our trip, had written to the proprietor of the estate we were to visit, and expected that a vehicle would have been sent to the station to meet us. But his letter had not been delivered in time. We could not but be struck by the contrast between the modern spirit of enterprise, which in the form of the milk factory had set up in Italy machinery for the production of milk of an uniform quality, with which in England we were unfamiliar, and the evident suspicion and distrust felt by our friend, who by instinct and training alike was a thorough business man, of the capacity of the postal authorities to fulfil with punctual despatch the engagements into which they entered. That a letter should be unduly delayed seemed to be probable, at any rate in a country district. It was a normal rather than unexpected event. It was, so we gathered from the comments of our friend, more likely than not to happen. The alertness of individual enterprise and the sluggishness of official routine are presented in Italy in specially emphatic contrast. At any rate there was no sign of the approach of the carriage for which we were looking; and we made our way on foot. A conspicuous object on the horizon of the level country over which we were walking was a large ecclesiastical building. It was not the famous Certosa of Pavia, for that amazing memorial of the power and wealth of the Milanese despots lay out of sight some eight miles away towards Pavia. But between the station at which we had alighted and the previous station on the railway from Milan was a vast Cistercian church. Like most buildings in Italy it had been planned on the grand scale; unlike some, its grandeur had been carried into effect. It could be seen for a long distance; and once more, as when we entered the quondam palace, become a milk factory, we were reminded that we were in Italy.

In the course of fifteen or twenty minutes we arrived at some farm buildings, which, our friend informed us, were devoted chiefly to the production of Parmesan cheese. That cheese, in its grated form, is familiar to all who have entered an Italian restaurant. In a larger, more concentrated shape it is admirably adapted to test by its hardness the quality of the teeth of those who try to eat it. The occupants

of the farm were friends and customers of our companion, who himself was a grower of wine. With great courtesy they showed us the different stages in the process of making the cheese. We saw the rich cream gathered together into form in the steaming cauldron in which it was boiling. We saw the completed cheeses as they lay, salted and preserved, in cool chambers. We were told that for every day in the year, or thereabouts, one cheese was made ready for the market; and it was with a new interest that henceforward in Italy we sprinkled the grated Parmesan into our soup. After an introduction to some pigs of English origin, which were fed on the waste matter cast aside in making the cheese, we were brought into the house; and our entertainers were not content until we had drunk of our friend's wine, and of some excellent milk, and our buttonholes had been adorned with flowers from their garden. In the meantime they were having their carriage prepared to convey us on our way; and, when it was ready, we took our leave.

After no long drive we reached our destination. Even as we approached, and still more when we entered within the walled inclosure, we were struck by the scale on which the buildings were planned. It was evident that we were in contact with large farming. The space enclosed within the walls was considerable, and seemed to fall little short of the dimensions of a respectable village. The buildings, at any rate to a foreign eye, did not appear so substantial as those to be found on some English homesteads; but the difference may have been one of appearance rather than reality, due to the different material and manner of their construction. Of their size, and suitability to the purpose to which they were applied, no doubt could be felt. On all sides there were unmistakable signs of skill and enterprise, of capital used with a judicious but unstinted hand, of the pervading presence of an energetic intelligent master, with ample resources at easy command. Another reflection of a different kind was borne in on our minds as we drove into the yard. There were a number of labourers, of both sexes and various ages, entering at the same time; and it was impossible not to notice many sullen, and even angry, countenances. We could easily believe—what our friend told us on our way back to Milan in the evening—that at the time of the riots in that city a few years ago, fears, to some extent realised, had been felt that the country population would come in, and join in the turmoil with hostile intent against the rich. With the memory of those faces fresh in our minds it was difficult to think that serious possibilities of friction between employer and employed did not exist, on whichever side the real fault or grievance might lie.

Let us turn, however, to more pleasing topics. We were speedily introduced to the master of the agricultural enterprise; and his alert, decisive manner fully confirmed the impression we had gathered from the buildings. He apologised—though apology was quite unnecessary—for the hospitality he was able to give us. He had been taken una-

wares by our visit; and the postal authorities, as our companion expected, had been equal to their repute rather than their duty. In the meantime we made a tour of the farm buildings. We entered first a shed of great length, filled with cows, ranged on either side. It was a pleasing and wonderful sight. The beasts were, we imagined, to be counted by the hundred; but more impressive than their number was the cleanliness with which they were kept. I do not hesitate to say that in this respect the Italian, of whose agricultural undertakings we were thus obtaining a hasty glimpse, could have given points to many an English farmer, however intelligent and however capable. The purity of the atmosphere showed that the ventilation of the building had not been neglected. The passage down the middle of the shed was as scrupulously free from dirt as the straw on which the cows were standing. The drainage problem had been realised, and solved, so far as we could tell, with satisfaction; and it seemed as if some one were constantly employed to prevent the bare possibility of any dirt remaining in the four walls of the building. It may be fanciful; but the suggestion must be hazarded that the task was more easily fulfilled because the space in the middle of the shed between the rows of cows was greater than that usually provided in similar buildings in England. Another shed, containing a single row of cows, seemed to be, if possible, more immaculate. It was, I believe, of a later date, and the arrangements for lighting, for ventilation, for drainage, and for removal of manure, were even more perfect. We were reluctant to quit so fair a sight as the smaller cattle of this shed. In themselves they were pretty graceful objects, and they were provided with a setting calculated to show their beauty to extreme advantage. But we had still to inspect the remaining farm buildings, and to see the horses. These were numerous, and admirably stabled; and our host evidently shared the characteristic Italian pride in the possession of fine horses. The farm-buildings generally seemed to be as well planned as the cow-sheds in particular; and, in point of efficient equipment, it was difficult for an outsider to detect any fault, though our host, with the instincts of the genuine lover of his craft, was not content to rest on his oars, but even then was making additions and improvements.

We returned to the house to partake of the meal which had been prepared. It was a comfortable mansion, furnished with simple tasteful elegance. The repast, as our host explained, was not elaborate; but we rarely, if ever, enjoyed a more refreshing meal. My own heart, I must confess, had sunk within me when I heard our companion propose some *salami* as the main constituent of lunch; for I entertained only too vivid a recollection of that favourite Italian dish, served in a rude inn in Tyrol, with the accompaniment of so pungent a smell and taste of garlic that I thought I could never bring myself to eat it again. But there is "salami" and "salami"; and that of which we now partook would have satisfied the most delicate and fastidious palate. With fresh bread and delicious butter, and excellent

wine, it formed a meal at once satisfying and appetising; and it was followed by eggs, cooked as only a foreigner can cook, and an Englishman may try but fail. Our pride was flattered, and our digestion aided, by the tireless energy with which our companion impressed on our host, and his daughter and his son, who had now joined us, his opinion of the goodness of the cause for which the English were fighting in Africa. He brought a blush to our cheeks as he descanted on the greatness of the English nation in general, and dilated specially on the wonders of that University from which we had come. Candour compels me to add that we could not in honesty subscribe to his comparison of the dome of the Radcliffe Library at Oxford to the dome of St. Peter's at Rome; and I can only hope that the lady, who did the honours of the house with such graceful courtesy, did not remember this glowing description, when she compared the photographic reproductions of our academic buildings, that we sent on our return to England, to be added to the large collection of pictorial post-cards, which she had shown us arranged in albums.

When the meal was finished, our hospitable host would not hear of our departing at once, as we should have been compelled to do, to catch the train which was to take us back to Milan. He insisted that we must return by road in one of his carriages. We were grateful for his kindness; for we were enabled to obtain a view of the other main department of his agricultural activity. This was applied to the growth of rice. We saw the buildings devoted to the storage of the crop, and its preparation for the market. We then proceeded to investigate the mode in which the fields were irrigated. The elaborate machinery provided for the purpose was explained to us. We noted the easy efficient means by which, by differences of level in the channels, and by barriers and sluices placed at convenient intervals, now hindering, and now allowing, communication with a fresh area of ground, the necessary fertilising water was brought to the particular points where its presence was needed. We were made acquainted with the nature of the labour required to construct and reconstruct the various watercourses; and we saw that labour at work under skilled direction. In the course of the afternoon we traversed an extent of ground sufficient to convince us of the magnitude of the undertaking in which our host was engaged, and of the experienced knowledge with which it was conducted. We had seen indeed about as much as we could grasp; and we hardly needed the assurance of our friend that the constant presence of the master's eye was as necessary to the success of the whole enterprise as it was obvious that traces of its influence might everywhere be found. We returned to the house, took leave of our kind host, and of his son and daughter, and drove back in state to Milan in his carriage. On the way we learnt some interesting facts from our companion. Such, he told us, was the stimulating effect of the irrigation in utilising and enriching the natural qualities of the fertile soil, that many crops of grass—the

number approached, or even exceeded, a dozen—could be raised from some of the meadows in a single year. So full of moisture, on the other hand, was the atmosphere of the whole district that there were days when Milan was obscured by fog as dense as any seen in London or Manchester. We ourselves had felt, as we walked along the edges of the rice-fields, that peculiar penetrating cold, which comes only with damp; and we could believe that our friend, whose home was at Genoa, found that a stay of ten days in Milan made him sensible of some enervating influence.

An hour's drive brought us back to the streets of the city; and we arrived at our hotel in time for dinner. We felt that, whatever we might see in the remainder of our Italian tour, we would not readily have missed the day we had spent. The memory of our visit would not soon pass away. We had been fortunate enough to secure a close, if hurried, view of remarkable agricultural enterprise. We could not but believe that, lamentable as the economic condition of Italy might be in some respects, in the North at any rate a fund of energy and skill was stored in individuals, capable of turning to the best account the great natural resources of the country. Italy, as economists are aware, is suffering from the pressure of severe taxation. She is suffering also, as the least observant tourist can hardly fail to note, from an excessive number of officials, who do not appear to be over-paid. The faces of the labourers, which we had seen that day, were a plain reminder that social discontent was present in the district we had visited. Milan itself would seem to the casual glance the most prosperous of Italian towns; and the natural richness of the surrounding country does not admit of doubt. Yet, if our friend was correct, social disaffection of a dangerous nature was continually smouldering in the city. The riots, which had occurred a few years before, confirmed his view; and history shows that it is not the poorest who are most likely to attempt, if not to achieve, a revolution, but rather those who, enjoying a better lot, are filled with an envy of the more fortunate, accompanied by a rational belief that, if they are only organised for assault, they can transfer the excessive wealth to themselves. Our companion held the disconcerting view that the danger of a repetition of the riots was real; and the news of the assassination of the King, which reached England in the following July, certainly served to recall his language to our minds, though it may be wrong to lay the blame of that particular crime on any shoulders save those of the individual who committed it.

But, while the dark side of modern Italy may be seen, portrayed in sombre colours on the pages of Italian authors, writing on the economic conditions of their country, we had that day witnessed another and a brighter side. It is sometimes said with truth that the great past of Italy is a disadvantage; and that she has been led by the recollection of her former grandeur into projects of ruinous magnificence. Her public works and her official buildings have certainly involved

embarrassing expense. The immense block devoted to the Ministry of Finance in Rome is a striking illustration, and similar instances may be discovered in other Italian towns. But, with a predilection for the grand, the modern Italian has also inherited some of the amazing cleverness, which, guiding the hand of the mediæval artist, produced the works the world admires. He may not possess the subtle discrimination and instinctive taste of the old masters; but it cannot be denied that he retains a measure of their dexterity. His brain may not form so simple, fine or great conceptions; but his hand shows scarcely inferior cunning. It was in a slightly different groove that our thoughts ran that evening. We could not but reflect how rarely in Northern nations could be found an agriculturist with the combination of liveliness and ability, which our host had seemed to command. His quick movement and alert enthusiasm were the peculiar possession of a Southern stock; in the magnitude of his undertakings, no less than the efficiency with which they were conducted, we fancied that he had shown himself no unworthy successor of that imperial race, which long ago had made the power and fame of Rome felt even on our distant shores. Our visit had opened to us a new view of the Italian character. Our host had raised our admiration for his countrymen; though even he could not deepen our sincere affection for his country.

L. L. PRICE

PHILANTHROPY AND WAGE-PAYING

THE bitter controversy concerning methods of management of working girls in convent institutions which has been exciting religious antagonism in France during the last few months, has had some slight echo on our side of the Channel. Probably no one in this country would seriously question—as, unhappily, has been the case abroad—the motives or personal devotion of the women of every religious denomination who give their lives to the care and training and reformation of their less fortunate sisters. But the moment seems appropriate for enquiring whether the methods on which the work is usually based are the best adapted for attaining the original aims of those who have undertaken the duty, or whether those fundamental principles of justice which should regulate our conduct towards the most helpless as towards the most depraved of our fellow-men, are not sometimes over-shadowed by considerations which can best be described as the outcome of pious opportunism. Or, to look at the problem from another point of view, is the welfare of the individual inmate ever subordinated to the general welfare of the institution? I do not propose to bring accusations against any particular home or refuge or against the representatives of any religious denomination. I wish merely to discuss without prejudice of any sort the terms on which employment should be given to those unfortunate girls and women who for one

reason or another are not in a position to compete successfully in the open labour market.

In France it appears customary for large numbers of work-girls of good health and character to live in convents and do fine needlework for the Sisters in return for their maintenance. Most of the exquisitely-wrought underlinen which may be purchased in Paris shops is the produce of Convent work-rooms. It is obvious that considerable sums of money must accrue in this manner to the various communities. In England, happily, this custom does not obtain, and we may take it as a general rule that all the inmates of the many institutions that abound among us have been admitted as the result of destitution attributable to some specific cause. These causes may be briefly summed up as drink, immoral conduct, vicious home-surroundings, feeble-mindedness, epilepsy, weak health or general incapacity and lack of any manual training. They are, in a word, the failures from among the working classes, or those who would be failures if left to their own unaided efforts. The usual method of treatment is to keep the inmates under strict supervision, to employ them at remunerative work, either laundry-work, or fine sewing, and in return to supply them with food and clothing, and after a lengthy period of probation to send them to a situation with a sufficient outfit.

In homes and institutions intended for girls under sixteen years of age, for girls that is to say who stand in obvious need of training, and who under normal conditions would scarcely be able to earn their own maintenance, the system in itself is open to very little abuse. There is unfortunately a danger in all homes that are partially dependent for their support on the profits from the work of the inmates, of securing a high level of workmanship by too much specialisation, and by making the girls work at what is profitable to the home rather than at what will be practically useful to themselves in after life. A girl, for instance, who has spent weeks sewing the finest of tucks, producing the most even of feather-stitching, may be found subsequently to be quite incapable of cutting herself out a petticoat. So, too, there is a tendency to keep a competent, willing girl longer in an institution than is necessary for her own welfare. These, however, are dangers which conscientious managers in most cases will guard against, and as regards training so much has been done in every direction of late years to improve the technical instruction of our young people, that the risk of inefficiency is waning rather than increasing. In any case, no fundamental principle is here involved: the points are such as depend upon the intelligence and conscientiousness of individual managers.

It is quite otherwise when we come to institutions dealing with full-grown women. Here we have to ask not only whether the training given is of so practical a nature as really to fit the inmates for taking their place in the world and earning their livelihood as self-supporting members of society, but whether the maintenance afforded is a fair equivalent for the work rendered. With certain reservations both

these questions must be answered in the negative. The training given is often illusory, and the remuneration, however excellent the workmanship, is never paid in money and is restricted to bare maintenance. A grave injustice is thus frequently inflicted upon those who pass through what are known as rescue homes.

For, putting aside institutions for women who are debarred from normal employment by some chronic infirmity, such as blindness, deformity, or epilepsy, the great majority of adult women to be found in institutions are those who have led immoral lives, or who, as young girls, have lived in immoral surroundings. The institutions are, in point of fact, either penitentiaries or preventive homes, most of them, whether Catholic or Church of England, being under the charge of religious Sisterhoods. And it is precisely on behalf of the inmates of such homes that I would plead for more equitable treatment. They remain there for two, three years, or even longer, without ever going outside the walls; they do laborious work, they have poor food and they receive not a single penny in wages, nor can they claim anything from their employers when they leave. Where inmates remain until their character is held to be retrieved, a term, be it said, which may be indefinitely extended within the discretion of the superior, the injustice is not so apparent, as then, at least, a situation and an outfit are provided, but the fate of those who are less fortunate or less persevering is hard indeed.

Let us see how the system works out in innumerable cases. A woman may have washed and ironed her best for eighteen months or longer; she may have honestly done her utmost to retrieve her character, and she may have left the home because of some trifling misunderstanding, some sudden fit of restlessness or despondency, some temporary ill-health, the result of confinement and over-work. What is the result? For all practical purposes her time has been thrown away. She leaves without a character because she has not stayed the full period stipulated for: she leaves wearing the clothes she came in, and with one shilling in her pocket, given as a favour to take her out of the neighbourhood. Her worldly prospects are *nil*: her chances of employment are remote: her friends perhaps lost sight of. Two courses only lie always open before her—the streets and the workhouse. Is it surprising if such a woman should complain that she has been exploited by the community? She knows her own good intentions even though she has failed in the highest test, and she knows the economic value of the work she has accomplished. I have never heard a single accusation of personal unkindness brought against any Sister of any Catholic Home, but I have heard frequent complaints of the hardness of the life, of the poorness of the food, and of the entire absence of any monetary remuneration.

It has been held, and no doubt honestly held, that maintenance in a home, with the spiritual advantages attached to such residence, supplies a full equivalent for such labour as the inmates may be capable

of giving. But is this really so? Nearly all these homes have laundries attached. Now a laundry, especially a laundry on a large scale, is a very paying business, even where the washers are paid at the current rate of 2s. 6d. per day, and the ironers, according to skill, at from 3s. to 4s. a day. The class of women employed, whether in homes or in ordinary laundries, varies but little, laundry-work ranking low in the scale of female occupations, and want of character not being an insuperable bar to employment. In either case their work in the open market may be reckoned at from 10s. to 15s. a week. The cost of their board and lodging is not quite easy to estimate, but I cannot place it higher than 7s. a week. This supposes sixpence a night as the price of a bed in a dormitory—a price at which lodging houses make a fair profit—and 3s. 6d. a week for food and clothing. In a large London workhouse the maintenance of the inmates—and in “maintenance” is officially included food, clothing, soap, drugs and funerals—works out at something less than 4s. 6d. a head per week. But economy in the workhouse is hampered on every side by rigid Local Government Board regulations, which frequently result in much waste of food, and, moreover, the majority of the inmates are “aged,” *i. e.* over sixty years of age, men and women who are not only entitled to freshly cooked meat nearly every day, but large numbers of whom receive a daily additional diet of beef-tea and milk. Hence the expense must be very much higher than in a privately managed institution for young women in normal health. The food in penitentiaries is, as a rule, no better than the regulation diet supplied to the technically “able-bodied” inmates of the workhouse, *i. e.* those under sixty years of age; the clothing is about the same; no allowance need be made for funerals, and therefore 3s. 6d. a week is, I believe, all that is strictly spent on the maintenance of an inmate.

Everything, then, earned by the workers over and above 7s. a week, goes, not into their own pockets, but to general expenses, to the building fund, to the maintenance of the community, and what not. It is here that the injustice comes in. It is from this general profit that a wages fund should be drawn. I do not suggest that the whole of the profits should go in wages, or even that the wages paid should necessarily equal the balance between the actual cost of board and lodging and the current rate of wages outside, but I maintain as a principle of common equity that wages should be regarded as a first charge on the profits. Every able-bodied worker should have a wages-book, and a weekly sum, however small, should be placed to her credit, and, if unspent, should be handed to her on her leaving the institution, not as a favour, but as a simple matter of honest dealing,—a sum, therefore, which, once earned, cannot be subsequently forfeited by ill-conduct. I shall be told that it cannot be done; that none of these institutions possess anything that can be regarded as a wages-fund; that the possession of money would have a deplorable effect upon the inmates; that it would unsettle them; that they would misspend it;

that the whole work of reformation would be thrown out of gear by such an innovation. If indeed there were no profits from a laundry it could only be accounted for by amazingly bad management, but in most cases the belief probably arises from inaccurate account-keeping and from the managers having no clear notion of what "maintenance" ought properly to include. For the rest, the objections are the outcome of what I have called pious opportunism. Such considerations should have no weight in the face of a question of simple justice. The labourer, we are told, is worthy of his hire, and to defraud him of his wages is, according to the catechism of the Catholic Church, one of the sins that cry out to Heaven for vengeance. In the open market, to profit by a man's necessities in order to employ him below the market-rate, or below what constitutes a "living wage," is known as sweating. It can be no less than sweating when it is done in the name of Christianity inside the walls of an institution. Practically the lack of moral character in the woman is made an excuse for employing her on terms which the honest woman would spurn, which only the homeless are forced to grasp at, just as the starving East-end sempstress grasps at shirt-making at the derisory price offered by the Jewish middle-man. It may be good business: it certainly is not Christian charity.

That here and there the system of payment, if introduced, would be abused, that inmates would occasionally be tempted to leave the home on purpose to squander their savings in drink, is self evident. Every good thing is liable to abuse. The extent, however, to which this would occur would depend very largely upon the tact and moral influence of those in authority. My own idea would be to give to the earners a small weekly sum, say a quarter of what is due, for legitimate petty expenses, banking the remainder. But the worker should have power to draw upon her account for buying material, &c., for her outfit, which she could be taught to make in her spare time. In this way, the management would be spared the further expense of an outfit for those whom they send to service, and the moral effect on the inmates of having directly earned the clothing, and sewed it with their own hands, would be far greater than under the system that prevails to-day. Indeed, in its purely practical aspect, putting aside all questions of justice, the advantage of paying wages far outweighs the possible disadvantages. It is quite certain that the women would work both more quickly and more skilfully, thus increasing the profits of the institution, if they had some direct incentive to improve themselves. It is beyond the power of frail human nature always to put in the best possible work if no immediate advantage is to accrue from doing so. Again, the educating effect of earning money regularly, of spending it wisely, of putting by, would be invaluable to these untaught, undisciplined women, who live from hand to mouth, spending recklessly one week and starving the next.

There is a further reason for effecting this change. Our peniten-

tiaries need humanising, and the payment of wages is a first essential step in that direction. I would like to see a frankly educative ideal replace the mainly punitive ideal which until now has underlain most penitentiary work whether within the jurisdiction of the Catholic or the Anglican Church. We all know that in past ages the Catholic Church exercised a severe discipline over her children; that heavy and prolonged penances were imposed upon sinners before they were readmitted to sacramental privileges. To-day, all that is changed, and a more merciful spirit prevails throughout Christendom. It is only in homes for fallen women that the old spirit of severity seems to lurk; that years of penance are exacted for a sin which may have been bitterly repented of; that the path of the penitent is deliberately made as thorny as possible. Surely it is time that here too a more kindly spirit should penetrate! The idea hitherto has been to keep the women as long as possible within the safe shelter of the institution walls: the idea of certain modern philanthropists is to fit them for life under normal conditions and to return them as quickly as may be to the ranks of self-supporting wage-earners. The longer they remain shut up within four walls, the less capable they become of fighting the battle of life outside. To treat grown up people as children, to deprive them for long years of money, of freedom, of all personal responsibility, and then to thrust them suddenly back upon the world, is surely to court disaster. It is as though we kept a man in bed for a month to save him from all possible risks and expected him at the end to compete successfully in an athletic contest.

It is not only in rescue homes that we may observe the evils of prolonged residence in an institution where the necessities of life are provided without any active effort on the part of the inmate. I have seen it repeatedly in the Workhouse. There may be found, in every large workhouse, a certain number of able-bodied inmates, male and female, who having come upon the rates through idleness or misfortune, and having never been given the opportunity of a fresh start, have slipped into the routine of the place, and end by being content to remain there. They are quiet and inoffensive and get through a fair amount of work in dilatory fashion, but they become so lacking in initiative and self-respect, so down-trodden and hopeless, that after the lapse of a few years it is useless even to try and help them. They will not keep a situation if it is found for them, and prefer the certainty of three meals a day to the risks and possible discomforts of life outside. In nothing have our Poor-law authorities shown their incompetence more lamentably than in helping to manufacture this class of persons, and here too the evil is partly due to the fact that the law does not permit the inmates of the Workhouse to earn money. As things are at present it is often an economic impossibility for inmates to leave the Workhouse, and make a fresh start in life, and yet nothing is so demoralising as that they should be content to remain in. Were it permissible for them, by good conduct and diligence, to earn even a

few shillings, to be handed them on their discharge, with which to start life afresh, many might make the effort, and the sum of our pauper population would be materially reduced.

Some such numbing influence as this makes itself equally felt among the inmates of the many private institutions into which we are all so anxious to thrust young lives. I sometimes think the modern philanthropist has institutions on the brain. If only he can found a new institution for some fresh class of sinners or sufferers he feels that his life's work is justified. We are all apt to forget that institution life at best is led under quite abnormal conditions; that it can never be an ideal existence; and that though it undoubtedly offers the only means of dealing with certain classes of permanently afflicted persons, our efforts should be directed towards putting as many as possible back into normal family life. It is only as a very last resource that permanent residence should be acquiesced in. And this brings us to the difficult question of the best sort of occupation at which to employ temporary inmates. Hitherto, a prolonged period of residence in a rescue home being held as essential, work that is remunerative to the home has been regarded as the first consideration. But if we work on the assumption that from three to six months is a sufficient period of probation—and, for my part, I think that in all ordinary cases it should prove sufficient—the more pressing question is what to teach these women in order that they may earn their livelihood outside at the earliest possible date. Neither laundry-work nor fine sewing, the two usual alternatives, are satisfactory for the purpose. There is a very limited demand for laundry-maids in private houses, and to send these women back to a public laundry is frequently to replace them among the very associations amid which they originally fell into trouble. And although fine sewing is fairly profitable to an institution, a girl of the class we are dealing with can scarcely ever earn a livelihood by it, if for no other reason than that she rarely masters thoroughly more than one or two of the many necessary processes. It would probably be more to the purpose to teach her tailoring. But the main suggestion I have to make is that women in penitentiaries should be taught cooking, and taught it on the practical Belgian method which has made the Belgian housewifery schools the best in the world. Cooks, we all know, are in constant demand, and, as every mistress will admit, good cooking covers a multitude of sins. Where untrained women can earn but 6s. or 7s. a week, a woman who can do even plain cooking well can command 10s. or 12s. a week. She is raised at once to the ranks of the skilled worker. Yet I know of no single home or institution where cooking is made a speciality. The expense is perhaps the obstacle, but were it fully realised that a three months' practical cookery course will fit a woman to earn her livelihood more effectually than three years at the wash-tub, who would hesitate?

A very successful institution is to be found in Paris which in various ways might serve as a model for the reformation of our peni-

tentaries. This work, known as "l'Hospitalité par le travail," which was established on its present basis in 1892, depends, it is true, for its success less on its system and its discipline, than on the warm human sympathy and the splendid organising capacity of the superior, the Mère St. Antoine. I have seldom talked to any one possessed in so high a degree of what I can only call sanctified common-sense, a woman whose maternal instincts have gone out to all who are destitute and in distress. She and her Sisters preside in the Avenue de Versailles over spacious premises which serve at once as a refuge, a school, and a workshop. Here both men and women are received, fed, clothed, housed, taught, provided with work—given, as it were, a little breathing space amid healthy surroundings, where, supplied with their immediate necessities, they may gain fresh courage and seek for suitable employment. Some may have come from prison or from leading an evil life, others are simply the victims of illness or industrial causes, or again of those sudden onslaughts of misfortune which may bring the most deserving workers to want and destitution. They are not, however, received in an absolutely indiscriminate fashion; many are recommended by other charitable agencies, and the refuge works in the closest co-operation with that most excellent of modern institutions, the "Office Centrale des Œuvres de Bienfaisance," a kind of Charity Organisation Society with principles and practice less rigid than our own. The main qualifications for admittance are destitution, fair health, and a willingness to work: the professional beggar is of course excluded. The period of residence is no more than three weeks, and yet some at least of the women belong to the class for whom years of seclusion have been deemed necessary. One hundred men can be received at a time, and they are employed at carpentering, bedstead and mattress-making; the women, who number 160, at laundry work, sewing, and mattress-making. Every care is taken to improve the quality of the work done; yet the assistance given being regarded strictly as temporary, leisure is provided on certain days of the week for the inmates to seek work for themselves and attend to their own affairs.

Two main features distinguish this institution. In the first place, every inmate from the moment of his entrance is paid full wages for work done, the men earning a minimum of 1s. 8d., and the women 1s. 3d. per day. The difference does not imply any acknowledgment of the superior value of male labour, but is accounted for by the simple fact that whereas sleeping accommodation and the washing of their linen are supplied for the women on the premises, the men sleep out in selected lodging-houses in the neighbourhood at a cost of 3½d. per night. For the greater convenience of temporary workers, work is reckoned by the half-day and is paid for on that basis. It is not contended that every worker is worth even the minimum wage that is paid him, but it is considered an essential feature in the work of elevating these stranded destitute men and women that all should earn something; that

all should be encouraged to spend wisely, and to put by for future necessities. No one even after a week's residence need leave the refuge penniless. And it is to this loyalty to a fundamental principle of justice as between employer and employed that the success of the "*Hospitalité par le travail*" is mainly due. The institution, it is true, is not wholly self-supporting; it is in its nature a charitable not a commercial concern; the buildings and the original capital required for its foundation were the outcome of private benevolence, and the Sisters give their services gratuitously. Moreover, the help it is called upon to give to an average of some 5,000 persons in the course of a year includes not only food and lodging, but frequently also clothing, tools, medical attendance and travelling expenses. Nevertheless a persistent effort is made to approximate the ordinary expenditure for maintenance to the receipts for work accomplished, and the actual deficit to be provided by charity does not amount to more than £400 a year. That the sum required is not very much larger is mainly due to what, given the circumstances, is the amazingly good quality of the work produced. The fact that large retail firms such as the Louvre and the Bon Marché are among the Mère St. Antoine's regular clients is the most conclusive testimony to the excellence of the workmanship. A certain number of skilled workers both in the workshops and the laundry are necessarily retained to supervise the work of the unskilled hands; they have been selected for the most part from among the inmates and are paid the full current wage for their services. But no supervision could ensure the excellent results that spring naturally from a system whereby the workers themselves are the first to profit by an increase in their own diligence and ability.

The second noteworthy feature is in connection with the eating arrangements. Practically the Sisters keep a cheap restaurant, and at the hours fixed the workers, male and female, come down into their respective dining-halls, order what they please from the "*menu du jour*" and pay in the usual manner. Soup, meat, vegetables, bread, wine, milk can all be had in portions varying in price from a halfpenny to threepence. In this way the deadly monotony of institution food is avoided, and the inmates themselves are treated as responsible human beings instead of as prisoners. That this feature is a popular one goes without saying. Under the old *régime*, the Mère St. Antoine found it was impossible to please everybody, now she never hears a murmur on the subject of the food.

I ought to add that there is absolutely no religious test. Persons of every creed, and of none, are received without question, and no religious observances are imposed. But there is no doubt that the moralising influence of the Christian surroundings is of lasting benefit to those who come in contact with it. In practical results the charity has an excellent record. Eighty per cent. of the women have passed from the refuge to permanent employment. The men have proved more difficult to place successfully, and the average in their case has

only been from thirty to forty per cent. Very few pass through the Home without apparently deriving any benefit from it, and of those who return at intervals the great majority are persons who either from advancing age or ill-health are incapacitated from regular and remunerative work. The promoters of the scheme are more than satisfied with its success, and the constant enlarging of its sphere of activity affords the best proof that it has supplied a real want.

In discussing the economic aspects of rescue-work, I have no wish to ignore the religious aspect. I am convinced that whatever good results have been obtained by rescue-work in the past have been due to the religious influence brought to bear upon the objects of our Christian charity, and that no system will avail if the religious aspect be set aside. But I feel very strongly that the whole system as practised both in Catholic and in Anglican Homes has become stereotyped; that it runs in a narrow groove; that the managers depend too much upon time and discipline and routine and tradition, and not enough upon the cultivation of the good aspirations that are to be found in every human soul. The treatment seems based upon the assumption that every woman has "gone wrong" from sheer perversity and a deliberate desire to lead an evil life, whereas the majority of girls fall into trouble through ignorance and helplessness and lack of will-power, and what is primarily needful is to make them hopeful and self-reliant and strong in their sense of womanly dignity. Encouragement, and the sense of having a friend who cares, will do far more for such cases than rigid seclusion and the wash-tub. The Salvation Army seems to have realised this truth in more practical fashion than any other Christian body, and although their system is not without its drawbacks, it cannot be denied that Mrs. Bramwell Booth has proved herself one of the most successful rescue-workers of the day. Her Homes are all small in point of size, and are manned by a large number of officers in order to bring every penitent in close personal contact with those who would reform them. The period of detention is comparatively short, and the rescued women are usually placed out in the first instance with "Salvationist" families, where they go through a further probationary period before returning to ordinary service. In this way the sudden disastrous plunge into the world's temptations is avoided. For myself, the object of this article has been to urge two specific reforms: the payment of wages in all Institutions for adults where remunerative work is carried on, and the teaching of cookery to all destitute women of normal intelligence. Will some practical philanthropist come forward and make the experiment?

VIRGINIA M. CRAWFORD

THE PROTECTION OF LABOUR IN JAPAN¹

THE useful book on which the following study is based gives a great deal of concrete information not easily attainable by foreigners on the state of industry in modern, much-disturbed Japan. Mr. Saito is an official of the Department of Agriculture and Commerce in Tokyo, who was sent to Paris in 1898 to act as Assistant-Commissioner for the Exhibition of 1900. While there he decided, in order to occupy his leisure time, to put together some facts concerning the industrial condition of his native land, hoping thereby to give to "those many foreigners who still know so little of Japan" a more matter-of-fact presentation than is found in such books as *Madame Chrysanthème*, a work which seems to him to deal with "romance rather than reality." He apologises for the imperfections in a book hastily written in a foreign land, and composed mainly from memory, owing to lack of documents for reference. The subject is one with which he is familiar, as he belonged to the Commission which framed the first Draft for Factory Legislation in Japan. He will not discuss the theoretical question of State interference, "je me contenterai d'étudier la situation de fait des ouvriers japonais, et le projet de loi qui les concerne."

The book is a detailed criticism of the Revised Draft of a Bill soon to be presented to the Japanese Diet, with a view of enacting factory legislation for the first time. The Government have many times proposed such measures, but hitherto without success.

In 1897 the Commission of which Mr. Saito was member inspected various factories and workshops in every province of Japan; they then prepared a Draft for a law to remedy the evils which they had observed, but, owing to a change of Cabinet, the matter dropped. In 1898 a new Commission (extra-parliamentary) was appointed, under the direction of the Minister of Agriculture and Commerce; this body, after investigation, drew up a Revised Draft, which has been submitted not to the Diet, but to a special High Council organised by Imperial Decree, a Council composed of prominent merchants, manufacturers, and business men chosen from the chief industrial centres. The Council being dissatisfied with this Draft,² has ordered further enquiry, and legislation remains in abeyance. It is this Revised Draft which Mr. Saito criticises, both on its own merits and as compared with the former project.

At the outset he lays stress on the fact that the idea which dominates all Chinese education, that of passive obedience to the command of a superior, had until recently been diffused through the whole of

¹ La Protection Ouvrière au Japon, Projet de Loi et Enquête Personnelle; par Saito Kashiro (Paris, 1900, Ancienne Maison L. Larose et Forcel, pp. 188).

² The merchants prevail over the convictions of the Government by protesting that Japan can never become a great Power if her growing industries, the source of all future strength, are nipped in the bud by restrictive legislation.

Japan, penetrating even to the relations between master and workmen. The employer was absolute. Even though the form of a contract were observed, yet in reality the workman, apprentice or adult, was never a free agent, either in his work or in his ordinary actions. "On the other hand, apprentice or skilled adult, he was treated by his employer as one of the family." But since Western civilisation was imported, and since the abolition of the Feudal system in 1871, large industrial concerns have sprung up in which conditions are changed for the worse; there is still, though men are nominally "free," an absence of real personal liberty, and this without the old kindness (pp. 28—9). Hence the necessity for protective legislation, especially as women and children are so much employed in the new establishments.

The author gives a list of 7,154 of these large concerns, but as he does not state the number of employes we are uncertain as to their size. About 40 per cent. of the total [representing probably 80 per cent. of the total employes] use machinery worked by steam, water, electricity, gas, or petroleum. He indicates on a map the density of distribution of these industries. The more important ones are:—

Quarries.	Copper-wire works.	Tobacco factories.
Coal mines.	Cotton-spinning mills.	Match „
Iron „	Cotton-weaving „	Straw-plait „
Copper „	Silk thread works.	Glass works.
Antimony „	Silk-weaving „	Tanning.
Petroleum „	Woollen mills.	Leather dressing, etc.
Shipbuilding yards, docks, etc.	Flax and hemp mills.	Manufacture of safes, balances, weights and measures.
Cement works.	Carpet factories.	
Brick and tile works.	Matting „	Making of fans, lanterns, umbrellas, &c.
Saw mills or yards.	Dyeing works.	Manufacture of <i>shōyu</i> . ²
Charcoal works.	Brewing of <i>sake</i> . ¹	Cleaning and classifying of rice.
Iron foundries, &c.	„ „ beer.	
Hardware factories.	Paper making.	
Sheet-iron works.	Printing works.	
	Potteries, &c.	

These factories may be divided into 2 groups, those where the master himself is present and works with his men, and those where he is an absentee capitalist, leaving the whole direction to managers and foremen. It is in the latter that the old patriarchal relations have ceased to exist. The new Civil Code "sanctions this novel state of affairs, and does not permit employes to claim more than the strict letter of their contract; *per contra*, the employer is no longer allowed, as before, to decide disputes arising out of the contract." It is the reign of our old friend the cash-nexus, and the Code is found insufficient for dealing with the situation.

Necessity for the New Law —The idea of special legislation has been strenuously opposed. The objectors declare (a) that Japanese manufactures being in such a weak stage compared with those of other

¹ The national drink, obtained by fermentation from rice.

² Japanese sauce eaten with fish, vegetables, rice, &c., said to be the original of "Worcestershire sauce."

countries, the interference of law will check commercial growth; (b) that the law will invade "Liberty"; (c) and that in place of the old obedience on one side, with affectionate authority on the other, the Law substitutes cold Rights and Obligations: the happy family will be known no more. Many scholars, journalists, and business-men defer to these objections, but Mr. Saito considers them worthless. It would be a great mistake to let the employer do as he pleased; his thoughts are concentrated on output. It would be an equal mistake to grant that liberty to the employés, for the result would be over-work, ruined health, arrested skill and intelligence. The State has a right to guard against such a disastrous contingency. There should not be any "liberty of work," either for master or men, except in so far as that liberty does no harm to the nation. "Whenever the interests of Society are at stake, the State is compelled to interfere, and is justified in doing so." As to the legal restrictions introduced, no doubt they will be temporary impediments to production, but in return the country will acquire a body of workmen with more strength and skill, so that the sacrifice will be outweighed. With regard to the "happy family," says the author, "*quand j'ai visité les établissements industriels des diverses provinces, je n'ai jamais constaté en pratique ces relations familiales et affectueuses dont on nous parle*" (p. 18). Besides, even if they exist, there is no guarantee for the continuance of these good relations, "because it is only an unsophisticated mode of life which new manners may efface." Thus from the point of view of individual or of public interest, factory legislation is imperative; "without it we should fail to secure that robust and skilful body of work-people which we must have if we are to face the industrial competition of the other great Powers."

Sphere of Operation of the Law.—There was much discussion as to whether the Bill should embrace all workshops great and small—following France and Belgium—or whether it should be confined to large concerns employing many hands and using machinery. In Japan there are so many small workshops. In most of these the protection of law is not needed, for there is no danger from machinery where none is used, and the liberal ventilation of the rooms removes anxiety about health. It would also be impossible to enforce the law, unless there were an army of inspectors. At the same time some small concerns employ machinery, while in others there is danger to health owing to the nature of the materials used. The first Commission accordingly drafted 2 laws, one concerned with evils incidental to large numbers of workpeople, and applicable only to concerns where the employes reached over 50, the other dealing with minimising dangers

Japanese rooms are very small, and most of them furniture or drapery, and reeking with incense. Except during the months we surrounded by draughts.

There were the laws of 1901, which should be drawn at 50 per cent of the number employed. Japanese factories, and the number employed per workshop, and the law works out

arising from machinery, buildings, or the nature of the work, and applicable to any concern irrespective of the number of employés. In the Revised Draft, however, we have one single law embracing both objects, applicable only to concerns employing over 50; but, by invoking an Imperial Decree, this law may be extended to smaller concerns (1), when danger attaches to the work; (2) when the requirements of hygiene are not met; (3) when proper care and supervision are not provided for; (4) or when there is any other special reason.

Mr. Saito prefers the earlier Draft, and objects to the new one, (a) that it is unconstitutional; and (b) that it leaves the Administration to decide when to act on the very vague instruction contained in the words "special reasons." Besides, since we all agree that the use of machinery is accompanied by danger, why go to the trouble of an Imperial Decree to bring within the domain of law those small concerns which use machinery?

The System of Labour-contract in Japan.—The usual custom is that an employer will not engage workpeople unless they contract for a term, fixed by the master, generally 3 years. (At the expiry of the term they may renew, but in most cases there is no renewal, employer or employé being dissatisfied.) Some critics thought that 3 years is too long a minimum for a lease of services, causing injustice (and consequently strikes) when outside wages rise above the rate agreed upon. But, seeing that the new Industrial Law is to apply only to concerns of more than 50 employés, the Commissioners preferred to entrust the question of hiring mainly to the general principles of the Civil Code. The Code provides that in case of contracts for hire extending beyond 5 years, either party may at any moment after the expiry of 5 years' service terminate the agreement (giving 3 months' notice); and, in the case where no term was fixed, may quash the contract at any time (with 2 weeks' notice). Moreover, Art. 628 of the Code allows either party to renounce a contract, whether of short or long period, at any moment "in case of necessity."¹ Lastly, by Art. 14-15 of the Revised Draft (i.e., the new Law proposed) it is provided that the contract may be instantly annulled (1) if an employé be ill-treated or forced to do dangerous work, or (2) if the employer has suffered personal violence from the employé, or the latter have damaged tools or behaved in an unruly way; in such cases the injured party has a claim to compensation.

Methods of Obtaining Labour.—There are 3 methods commonly employed. First, when the master delegates to one of his own men the task of finding workpeople; secondly, when he makes use of a professional middleman; thirdly, when in answer to his advertisement applicants come of their own accord (these are nearly always adults), or are brought by their parents, owing to necessity. After medical examination, they are allotted work suitable to their strength, and

¹ E.g., illness or death of parents, disasters, &c.

those of weak health are sent back to their homes free of expense—
 “du moins, quelquefois.”

The second method is the most unpopular, and the least efficacious in its results. Receiving so much a head for every one engaged, the middleman soon falls away from honesty; he tells rosy tales of pleasant work and splendid pay, takes away individuals without the consent of their parents, and hires the same man for two different firms. The latter feat is thus accomplished: the man is handed over to one of the two firms, where he works for a few days, until he receives a letter saying that his parents are ill and require him at home; he then leaves the workshop, and the middleman introduces him to the other establishment where he is due. Countless other tricks are played; the result is that the workmen once deceived dissuade others from applying. To prevent such abuses, some of the local authorities have taken very strong measures, to judge from the regulations of the Osaka district, which the author quotes (pp. 47–50). The new Bill is silent on this subject, except as regards touts who persuade or force a workman to break his contract.

Desertion.—Employés are constantly running away; from the statistics given (p. 43), it seems that one half desert in the first 6 months. Either they grow weary of the work, being unaccustomed to machinery, or they are disgusted with the reality contrasted with the story of the middleman, or they only came as a stop-gap until some better post was open, or they go back to look after their sick parents,¹ and never return.

Decoying of Workpeople.—Besides the many cases of spontaneous desertion, there is an organised system of deliberate seduction of labour, carried on by middlemen who either act on their own account or are paid by one firm to decoy workpeople from a rival concern. New factories are constantly being opened, while those already established can barely meet the ever-growing demand for their goods, so that the supply of skilled labour always lags behind. The sneaks (des agents véreux) who manage this game of decoy receive 10 or 12 shillings for every “hand” obtained; sometimes they employ lesser worms (lodging-house keepers, hairdressers, restaurateurs) to seduce the workpeople; jinrikisha-men are subsidised to lie in wait for the same purpose. The penalty for these offences is so slight (3 to 10

¹ The care of sick or helpless parents is a consideration which has precedence over all others, contract included, and the unprincipled servant as well as the middleman exploit this public sentiment to their own advantage. Foreigners in Japan are often incensed at the alarming frequency of severe illness or death in the (distant) homes of their domestics. At a foreign hotel in Tokyo it was finally laid down by the manager that leave of absence on account of “father dying” could not be granted more than three times in one year to the same “boy,” nor could the fact of “mother dead” be admitted more than twice (once for the woman who gave him birth, and once for the wife of the man into whose family he may have been adopted).

shillings fine) that a firm thus robbed does not complain to the police, but rights the matter itself by force. The robber-firm when remonstrated with apologises and restores the men, having first bribed them to seduce their old companions (p. 127). The workmen are prevailed upon to migrate by assurances of higher pay or easier work, but the pretext under which they break their original contract is that of illness or the illness of their parents. "Ces manœuvres occasionnent d'assez grands désordres dans le monde industriel. Les rédacteurs du projet ont donc écrit nos articles concernant la carte ouvrière dans le but d'empêcher ces abus."

The Labour-ticket.—In the hope of out-manœuvring these agents of decoy, the framers of the Revised Draft have introduced the proposal of the Labour-ticket, an idea which Mr. Saito considers impracticable. It resembles the train-staff system on a single line of railway, where no engine can enter upon a section unless furnished with the staff which covers that particular section; and as there is but one staff available for each section, that length of line cannot be occupied by two trains at the same time. Similarly, when the labour-ticket system is enforced, each employé must have a card of identification—provided by the mayor of his native town, or of the town where he works—on which is declared the name of his employer and the term of his contract; no one may employ him if he cannot produce a card, and there must be a fresh card for each new engagement. It is not proposed that this system of the Ticket should be compulsory everywhere, but it may be enforced locally or with respect to certain firms and bodies of workmen (as martial-law might be proclaimed in a particular district) whenever a trade syndicate demand it, the decision being left to the Minister of Agriculture and Commerce (p. 124).

According to the Draft, the workman when engaged hands over his Ticket to his employer, who holds it "pendant la durée du travail," and gives it up "en cas de départ." It would thus seem to be plain sailing, as the "départ" should not occur until the term of contract had expired.¹ But here again we are confronted with The Family claims, that trump card which triumphs over legal obstacle; under pretext of one sort or another, the employé "denounces" the contract, recovers his Ticket, and is a free man. Soon after "ils seront donc employés par l'industriel qui les a fait agir ainsi pour se les attirer à lui." It is true that, if there is evidence of fraud, the employé may be fined under the new Draft—though Mr. Saito prefers the method of the first Draft, which allowed the employer to retain the card if he had reason to suspect fraud, and the employé could only recover it by appealing to an Inspector. The ticket-system is also liable to be traversed by other tricks (p. 128), which render it awkward if not impracticable.

So that altogether our author disapproves of the scheme, with its

¹ Unless the employé is incapacitated from work.

industrial cobwebs of regulation and fine. The trouble arises from the rapid growth of manufactures in Japan, with the consequent insufficiency of skilled labour. Why not adopt the simpler plan of paying better wages (p. 130), for it is the hope of higher pay that makes the best employés so ready to flit from one firm to another?

Current rate of Wages.—Mr. Saito gives a list (pp. 131-7) showing the average wages earned in 43 trades in Osaka¹ during the years 1892-99. The best wages are received by smiths, tilers, tailors, masons, joiners, dockers, gilders, sawyers, who in 1899 earned (*i.e.* the best men in each trade) from 1s. 6d. to 2s. a day; the worst paid on the list are embroiderers, brick-makers, navvies, printers, matting-makers, porters, makers of small fancy articles, &c., where the most skilful received from 5d. to 1s. a day. The least skilful earned about $\frac{2}{3}$ ds of these respective sums. In some trades allowance must be made for the fact that board and lodging are partly or wholly provided. This is usually the case in the cotton-spinning factories; the author quotes the wages paid in 70 of these (52,000 employés) ranging from "under 1½d." to "over 15d." per day, but as there is no analysis of ages it is difficult to discover the normal adult wage. The majority of "males," however, (? mostly lads) earned about 6d. a day, and the majority of "females" about half. In 56 mills the rate of piece-wages amounted to about 8d. in a day for males, 4½d. for females. But from this small wage deductions are made (p. 140) for food, for associated dwellings, for compulsory saving, for fines or damages owing to breach of rules.

Wages are usually paid twice a month (15th and last day), or every 10 days, and in cotton mills they are also paid once a month. The employés in match factories and tea warehouses are paid daily. The new Draft does not prescribe any hard and fast rule for paying wages, thinking it better to allow a certain variety, in accordance with local custom. Both piece-wages and time-wages are in force in cotton-spinning mills. When time-wages are adopted the adept employés are paid alike so much per day; the new-comers, if female, receive 2d. a day when under 14 years of age, a trifle more if above 14; and male recruits receive nearly 3d. if under 14, a penny more if above. Every 2 or 3 months this pay is raised, perhaps to 1d. a day more, as they improve in skill or quantity of work done.

Savings.—Wages being such, we are not surprised to hear that "ordinairement, l'épargne n'est pas possible pour les ouvriers" (p. 141). In many cotton-mills, however, the thing is accomplished by compulsion, from 3 to 6 per cent. of the wages being deducted each month, and held by the company or entrusted to a local bank: in some of these mills the company contribute an amount equal to that taken from the employés. The total is increased by interest varying from 5 to 10 per cent. The employé cannot draw any of his "savings" until

¹ The chief industrial centre of Japan.

the expiry of his contract, and they may be confiscated in whole or part if he break the various rules of the establishment, especially if he is absent without legitimate reason, or if he migrates to another firm. The author contends that this confiscation is indefensible, the plea of consent by the workman being worthless, since he has no choice on entering but to agree to obey the company's rules. In fact these sums deducted are not savings but sureties exacted. "Mais je prétends qu'il est très injuste et même contraire à la disposition de la Constitution d'exiger un cautionnement sous le nom d'épargne et de confisquer cette épargne: l'Etat seul a ce droit. La Constitution dit que le citoyen japonais ne peut être privé de son droit de propriété que par une loi de nécessité publique." Saving, he adds, should be organised for the sake of the workmen, not for the advantage of the master.

Each spinning-mill has also encouraged *optional* saving, to supplement the other. Money saved in this way may be withdrawn when needed. But by this time there is nothing left out of the original microscopic wage. At the large mill of Kanegafuchi during the year 1897 only 18s. 6d. was saved by 951 employés, although interest was 10 per cent.; at the Hirano mill 212 people saved as much as £24, but this was because the company offered a prize for the one who should have saved most in a year (p. 145).

The new Draft does not touch the custom of compulsory saving, an omission which the author regrets. By all means fine workmen who break rules; and if they choose to pay the fines out of their savings, that is their business. But it is an injustice to seize a surety under colour of helping men to save.

Rewards and Punishments.—In cotton mills there is an elaborate system of awarding bonuses or inflicting fines. Men are rewarded for regular attendance, exemplary conduct or hard work, for rendering special help in emergencies, for inventions, and for remaining after expiry of the contract. The reward is usually money, but may take the form of a certificate, a medal, some article, or a holiday with wages. In 60 spinning-mills during the first half of 1897 nearly 3,000 employés were thus rewarded with sums varying from 22s. 6d. to 6d., the average being about 2s. The punishments are of all degrees (p. 148), ranging from oral or written reprimand to confiscation of savings and expulsion; one mill in Osaka punishes by a prohibition to go outside the mill for 15 days. (Mr. Saito fears that the rewards are not too frequently prescribed, while the punishments are conferred with great punctuality.) There are special gratuities for employés who remain their time or renew, but "en pratique il est très rare que l'ouvrier reste plus de 3 ans dans une même usine." And employés who have served long in one firm and are now beyond work receive a pension for life.

The Draft has nothing to say on this matter: its guiding principle is to leave masters to draw up their own bye-laws, which will vary

according to local custom,¹ but these bye-laws cannot be upheld unless they are first approved by the competent authority.

Apprenticeship.—Before the recent importation of Western ways apprenticeship prevailed everywhere in Japan. Workmen came to a shop at an early age, and once there stayed there. They were bound for a long term, 7 or 10 years, or sometimes until the date at which they should become adepts. They received food and lodging, and sometimes pay as well.

At present the term is limited by custom to a period between 3 and 5 years. In the Government arsenal they engage apprentices over 16 for a term of 1 year, at the close of which they may contract for 10 years as skilled hands. At the shipbuilding yard of Ishikawajima there is no term fixed, but young people new to the work are paid 2*d.* a day their first year, 2½*d.* the second year. At the Shiba-ura engineering works the term of apprenticeship is 6 years, the youth receiving 1½*d.* a day at first, and rising to 5*d.* or 6*d.* by the end of the sixth year. (In these works there are at present 150 apprentices who have served from 3 to 5 years.) But as a rule apprentices do not stay out their time. As soon as they know something about the work² they go away and seek engagement in another shop at full man's pay. The fault lies partly with the master, who works an apprentice as hard as a full-blown man, without the wages of a man: "they are simply ill-paid workmen." This abortive system produces half-skilled men, a feature unknown in the old "uncivilised" days.

The new Draft provides that a concern may not employ apprentices until it has drawn up rules for their treatment and submitted these rules to the competent authority; amongst these rules must be one ensuring proper instruction to those under 14 who have not completed their primary education.

Minimum Age for Work.—Before deciding on the legal age it is advisable to consult the actual facts of employment of children. The author quotes from two Reports, one by the Hygienic Association of Osaka, the other furnished by a Syndicate of Spinning-mills. In the first Report he finds that out of 21,204 employes in the 15 mills examined there were only 68 under 10 years of age, 4,500 between 10 and 15 years, and 9,800 over 20 years. The Syndicate report on 70 mills, with 71,301 employes, gives 1,066 under 11 years of age, and about 43,000 between 15 and 30 years.

When Mr. Saito had to visit the factories he saw children under ten streaming with sweat and worn out by a temperature of 110° F., while women were covered with sores on the tips of their fingers. The rooms were not properly ventilated, because a draught

¹ In Japan (as also throughout China) the instinct for local government has a force unknown in the West. "One touch of locomotion makes the whole world kin," but good locomotion is a very recent growth.

² Japanese are very quick at understanding (and still quicker at *thinking* they understand) any new work or invention.

might snap the threads; so the children were sacrificed in the interest of the yarn.

Every one recognises the evil, but in Japan there are great difficulties in fixing the minimum age of admission to work. In the majority of workshops—not in large affairs like cotton mills—there are apprentices who come at a very early age, following of necessity in the train of their elder companions. In match factories, for instance, we find quite small children working. The mother goes, to supplement the earnings of the father, then the little ones cannot be left at home alone, so she brings them with her and they do trivial jobs by which they earn $\frac{1}{2}$ d. or $\frac{3}{4}$ d. a day. There is no question of fatigue, for they stop when they choose, and as piecework is the rule the adults too may come and go as they please. It is argued that this system is positively beneficial, because it saves young children whose parents cannot afford to send them to school¹ from drifting into vice and becoming criminals; indeed, since match factories were started the number of criminals has diminished (p. 54).

Yet, in spite of all temptations to side with that which makes for virtue, and allowing that in the exceptional case of the match trade there may be no harm done, as a rule Mr. Saito is dead against the employment of young children in workshops. It will injure their health, turn them into mere tools, and prevent their ever becoming good intelligent workmen,—the very object which inspires protective legislation. For the sake of our new industrial flight the State must guard against any tampering with the bodily or mental integrity of its workpeople. The fact that children become criminals if they neither go to school nor to work is a reason not for relaxing the Industrial Law, but for amending the Law of Primary Education, so that all may receive instruction free.

Accordingly the Draft contains the following provision:—"No child under 10 can be employed in an industrial establishment; but a Decree may allow exceptions to this principle in the case of specially-situated industries."

The first stage of Japanese primary education begins at the age of 6, and ends at 10, therefore 10 is fixed as the minimum age for work.

Length of Working Day.—At present all ages and both sexes work the same number of hours.² The time varies in different places, from a minimum of 8 hours to a maximum of 17, which latter, though very rare, is met with in the silk farms and filatures of Shinshiu. The average working day is 12 hours. In cotton mills the actual work averages 11 hours, with 1 hour rest for meals. The Draft proposes

¹ Since this was written education has become gratuitous (in 1900) as well as compulsory.

² This state of things, though scandalous enough, does not produce in Japan the brutalities which disgraced English factory life early in the 19th century, partly because children are treated with kindness by every Japanese, and partly because the nation does not take its tasks so sadly as with us. Smiling and singing seem part of the business of manufacture, and "a merry heart goes all the day."

that "Children under 14 shall not be employed more than 10 hours a day—except for special reasons, and with special permission." The second stage of Japanese primary education extends from 10 to 14 years of age, hence this limit. Also by Act 12 of the Draft the employer is bound to provide at his own cost all the fittings necessary to ensure suitable instruction for those under 14 who have not completed the whole course of primary education. But, seeing the absurdity of doing lessons after 10 hours' work, Mr. Saito would prefer to prohibit the employment of children who have not completed their course. He also regrets that the Draft does not prescribe for *women*, whether married or single, shorter hours than for men, since by nature they demand more care. In France they limit work to 10 hours a day for children under 16 years, male or female; to 60 hours a week for women and girls between 16 and 18; and to 11 hours a day for women and girls over 18. Some such discrimination is needed in Japan, where the cotton mills employ so many females, and at such hard work.

Hours of Rest.—The ordinary allowance appears to be 1 hour per day (this is the rule in cotton mills) taken either in 3 or in 2 instalments; some factories give only $\frac{1}{2}$ hour (at noon), and some have no appointed time, the workpeople resting "when they feel tired." This latter sounds well, but in practice Mr. Saito finds it does not work, since the machines go on, and cannot be neglected; "le résultat est donc le même que si l'on ne donnait aucun repos."

Even these small intervals of rest are not to be depended on (p. 63), for though they are duly set forth by the master in his Rules, yet he often breaks his own bye-laws. Workmen do not bring a complaint, either from the habit of submission, or because such conduct would be an offence against one of the Rules, punishable by fine or possibly expulsion.

The new Draft insists on "one hour rest per day"; but it does not specify the times when this rest must be taken, an omission which seems unwise. And since "one hour" is the amount mentioned, no one is likely to grant more. Now the Draft contains no limitation of the hours of work for any one *over* 14, so that lads and young girls and women may be compelled to keep at work more than 12 hours and yet have only 1 hour's rest; this is too severe. Either the law should limit the working hours of females, and even of boys above 14, or it should require a rest of more than 1 hour when the day's work is more than 12 hours.

Days of Rest.—These vary in different districts and in different industries. The two usual arrangements are (a) to rest once a week, on the foreign "Sunday,"¹ or (b) on the 1st, 15th, 25th of each month, which is the old Japanese custom. In addition to this there are many national or religious holidays (*e.g.* at New Year, 5 days on Emperor's

¹ The Western "Sunday" has for many years been observed as a day of compulsory rest in every Government office or school in Japan.

birthday, &c.), the national fêtes being religiously observed, while the others are more or less neglected. "The more holidays a workman claims, the smaller chance he has of getting them." The modern employer, busy to his utmost capacity, frowns on so many gaps in production, and makes his men work on fête-days by a promise of higher pay.

The framers of the Draft, doubtless fearing opposition from greedy manufacturers, have not erred on the side of too much holiday. They merely enjoin that "the workmen must have 2 days of rest a month, and the works must be closed on the 3 great national holidays." (1st Jan., 11 Feb., 3 Nov.) Permission of course may be obtained to ignore this law when its application would be impracticable (but the author sees danger in this—p. 69).

Mr. Saito does not understand why the Draft should enforce so much less than is actually observed already, when masters allow from 3 to 5 days every month. He thinks the workpeople should have one day a week as in Europe. The Draft here again does not specify *when* the 2 days a month shall come; this is left to be decided according to the custom of each locality, the manager fixing the days, though with the approval of the competent authority. Thus, if the latter consent, the workmen may have 2 days *consecutive* holiday.

As to the 3 national fête-days, they should be in all cases unconditionally free, and the competent authority should not have any power to interfere with their observance, "parce que, en ces jours-là, les citoyens doivent être libres de remplir leurs devoirs vis-à-vis de leur patrie et de la maison impériale."

Schooling.—As the habit has grown of bringing children to work at a very early age, it is now quite common to find workmen devoid of ordinary instruction. At present only 30 per cent of Japanese workpeople have finished their primary education (*i.e.* the complete course laid down from 6 to 14 years of age). In Osaka things are much worse than the average; from a Report covering 22 factories of various kinds, it appears that out of 15,680 employés 5,980 had received no instruction, and 7,771 had received very little: "donc les 88 pour 100 ne se sont pas conformés au décret impérial." (p. 73) The teaching in most of those 22 factories was very perfunctory, the annual expenditure for that purpose averaging only £21 each. The children are taught sometimes in the morning, generally in the evening (on an average 2 hours a day), and in some mills not at all, because of night-work. There is no separate room for the classes, which are held in bedrooms or any place that happens to be free. The instruction includes ethics, reading, writing, arithmetic, narrative, singing, and needlework. Sometimes they get a priest to exhort on good behaviour, accompanied by lantern-slides of heroes and enthusiasts. But practically next to nothing is achieved, simply because at present the children are not allowed to take a lesson until they have first done 12 hours work (and then it is optional). Masters often say that the children do not want to learn,

and, being rustics, you cannot get anything out of them. "Cela se conçoit après un travail corporel de 12 heures." The end of it all is bad mothers and wretched housekeepers.

By the Imperial Decree of 1881 it is ordered that parents and guardians must see that children attend school from the age of 6 until they are 14. There is a fee payable for each child (with reduction for 2 or 3 of one family), and these fees come back to the local treasury. In case of illness or great poverty or other unavoidable cause, children may be excused from attendance, temporarily or altogether; this exemption is granted by the mayor or headman, after permission from the Home Minister. It was thought that such exemption would be rarely asked, but it has now become quite common. The difficulty cannot be solved by allowing children of "poor" people to attend school gratis, because as such children make up about $\frac{3}{4}$ of the whole, the falling-off in fees would upset the local budget. So fees are retained, but the children of very poor people are excused from attendance. This explains the large number of uninstructed children in workshops, and this is why the new Draft (in Art. 12) compels the employer of such children to provide for their primary education (see above). (Education fees are now abolished, October 1900.)

Mr. Saito believes the Draft will fail on this point, as it will be impossible for the inspectors to ensure that the instruction is really given. He would like a radical change in the educational system, making primary instruction free for rich and poor, at the expense of the State. Once free, Government would keep a strict eye on attendances, so that every child would at least finish the first stage of the primary course. Not content with that, he would wish the Law to forbid the employment of any children under 14 who are not certified as having completed the entire course; and further, he would require the employer to provide for employes under 17 a continuation course, at the same time shortening the hours of work for all below that age. But this is a counsel of perfection, which, in view of financial difficulties, is hardly to be urged just now.

Night-work.—The original Draft prohibited night-work on the part of females, or boys under 14, but the new Draft has suppressed that clause and is silent on the matter. The employers often say, more especially in Osaka, that the workpeople *prefer* night-work; (a) the factory is cooler during the night in summer time, (b) and in winter it is warmer than their sleeping rooms, (c) besides which, night-work is better paid. The author replies that the factory cannot be "fresh" after the day's work, and asks why so many thousands of people in Osaka spend the summer nights on the canals instead of sleeping indoors; the second assertion proves neglect on the part of the employer, and as regards the last, if the men's desire for money be so strong as to outweigh their common sense, the master should not make profit out of conditions which strip them of free-will.

In Japan the cotton mills work day and night not only to supply

the demand, but to economise in various ways. Still, the fact remains that night-work is unnatural, particularly bad for women and their unborn babes. A manager of a spinning-mill told the author that the output is 30 % less in the case of night-work. It is a delusion to think that the employés who work at night can make it up by sleep during the day; day-sleep is not so sound. Night-work should be forbidden to women and children everywhere, except where it cannot be avoided (as in collecting cocoons).

Yet the Draft has not touched this question, and thus women may still be kept at night-work, for more than 12 hours, while even children under 14 may be so employed for 10 hours.

Accidents.—Without any law it has been a custom with every industrial concern to award a sum of money to employés who are the victims of accidents arising out of their work. This sum, defined in the bye-laws of the firm, subject to approval of the competent authority, differs in different trades, and varies according to the way in which the accident occurred. The author quotes the scale adopted in 7 of the chief cotton mills, from which it appears that in case of death it is usual to pay the funeral expenses (£2 or £3), and also a donation of £3 to £5 to the family; one mill gives "over £10," and another "from £20 to £40," for the family. The Setsu Co. contributes £3, but increases this donation by a compulsory levy on every employé, ranging from 10s. in the case of the manager to $\frac{1}{4}$ d. from the lowest class of workman. The Nippon Co. follows the same idea. "*Le phénomène de charité volontaire s'est transformé en charité obligatoire, voilà tout.*" (The author does not give examples of the sums paid in case of accidents not fatal.) Besides these firms there are others which insure the lives of their workpeople, and there are two which have established mutual benefit societies.

Though these sums are guaranteed by the employer's own bye-laws, he may at present escape payment of them by charging the deceased with negligence. Art. 13 of the new Draft compels him to pay the whole of what he has promised, a lump sum in case of death, an annuity when the employé is wholly or partially disabled, an allowance when he is merely away from work for a time, together with medical expenses. But this Art. 12 does not apply "*où la blessure ou la mort sont l'effet de la volonté de l'ouvrier, du fait d'un tiers, d'un cas fortuit (tremblement de terre, &c.) ou d'une infraction aux règlements.*" Thus if the accident is caused by (inconspicuous) negligence of the injured man, the employer is liable. Yet not a word is said about *illness* or *disease* arising from the nature of the work, though these occur without any negligence on the part of the employé, and "*le patron doit donc être alors beaucoup plus responsable qu'en cas d'accidents.*" In some cases it is true that we cannot attribute the illness entirely to the nature of the work, but there are many others where we can do so.

The author would prefer to adopt the principle of "professional

risk" (*i.e.*, risk even with ordinary care) by which the employé must be indemnified whenever it is not proved that the accident was due to his own serious fault. The whole question of accidents is very inadequately treated in the Draft, which on this point will have to be supplemented by Decrees or Ordinances.

Mr. Saito adds a full account of the mutual benefit society of the Mining Co. of Sado (p. 91—97), where nothing appears to be left undone in the way of minute and careful provision for the relief of every kind of ailment, accident, or disease. The Society keeps its own hospital (sanctioned by the Prefecture), and its affairs are administered by a Chairman and Committee chosen partly by the directors of the mine and partly by the employés. Such a society seems so admirable and so necessary that the author would wish it to come under the new Law.

Hygiene.—The health of workpeople, though so essential to industry, is not adequately cared for, especially in the minor trades. In cotton mills the author found sanitary arrangements good, but the boarders' food was meagre in amount and poor in quality. Some mills have hospitals of their own, for the treatment of injured or diseased employés, those suffering from epidemics being placed apart; firms which do not possess one engage to send the sick and wounded to an ordinary hospital. The firm pays all expenses when the injury or illness is due to the occupation, and pays part even when illness or death proceeds from outside causes. During 3 months (July–Sept.) of 1897 the expenditure on hygiene of 62 companies (number of employés not given) was £1,243 (equal to about £24,000 per annum in England); they provided an aggregate sanitary staff of 290 men. In 36 of these companies the number of cases treated was 44,270, of whom 2,375 had received injuries, while over 10,000 suffered from respiratory disease, and over 14,000 from trouble of the digestive organs. Out of a total of 249 deaths for the year, only 2 resulted from injury, but 104 from disease of the respiratory organs, 42 from infectious complaints, and 39 from digestive trouble.

Bye-laws of an Industrial Concern.—Art. 16 of the Draft requires every employer to frame a set of workshop rules which shall make clear the terms of contract between the employés and himself. The Draft prescribes the main points on which the Rules must bear, leaving the exact conditions to the decision of each employer. These bye-laws have no validity until they are sanctioned by the competent authority (the prefectural magistrates), nor can the employer make any alteration without such consent, though the Authority can order revision whenever it may think necessary. This *Règlement d'atelier* is a most important instrument, for in case the employer infringe any of its engagements the employé has a right to quash the contract. Everything is minutely declared, term of hiring, hours of rest and holidays, supervision, rewards and punishments, wages, conditions as to compensation for injury or death, rules regarding savings, precautions

against accident, arrangements for the education of those under 14, and so on.

As an example the author reproduces the bye-laws of the cotton mill of Kanegafuchi, comprising 36 Articles, which occupy 11 pages (pp. 109-120). Most of the employés are hired for a fixed term of 3 years; but others are taken on just when there is exceptional demand, and turned adrift as soon as they are superfluous, these latter being eligible for most of the punishments and few of the rewards. The applicant is first medically examined, then put to work for a month on trial, after which he may be regularly engaged, on making written oath of obedience to the firm. In the Kanegafuchi mill the adults are grouped in 15 grades, men receiving from 2s. to 13d. a day, women from 1s. to 6½d., and children, of whom there are 20 grades, 6d. to 1½d. a day. Employés work 12 hours. They have 38 holidays in the year, viz. 26 Sundays and 12 fête-days, but those who do night work rest *every* Sunday. Half pay is allowed on fête-days, and for 3 days following a death in the family. Ordinary overtime is paid at ⅔th above normal rates, and work on fête days (sometimes inevitable) is paid 1½ times the normal. Sunday labour when required is paid only normal wages. Employés coming late (no admission after the ½ hour) are fined ⅓th of the day's wage, &c. &c.

As previously stated, the Rules may be changed from time to time, if the Authority consent. The question then arises, Can employés engaged under one code of rules be compelled to submit during the rest of their term to new and perhaps less favourable rules? Some of the Commissioners held that new rules could be enforced only on those hired *after* the alteration, or that the old hands should come in for any improved conditions, but be exempted from worse ones. This, however, would involve two systems of discipline in one shop, and form an obstacle to proper inspection. Yet, as the Authority has endorsed the change, it must be better on the whole; therefore all should conform.

Mr. Saito wishes the men to be consulted before the change is made. The men should choose representatives to confer with the employer, so that there may be a general good understanding as to the new conditions.

[In many industries (*e.g.* sawing wood) there are very powerful Trade-unions, but a Japanese cotton-spinning mill is more like a large drapery establishment in England as regards petty bye-laws and internal tyranny; perhaps the reason is the same in both cases, the difficulty of keeping in order so many women and girls.]

Laws relating to the Erection of Buildings and Machinery, &c.—These regulations are drawn up by the prefectural authority, and are different in different provinces. The author gives those of the Osaka district (pp. 153-162). Here, in the case of industries which employ inanimate motive-power, or use furnaces, &c., or which give rise to bad smells or great noise, or manipulate dangerous or unhealthy materials, no works can be either established, extended, or modified, until after

precise notice given to the authorities and inspection duly made by them the requisite permission be obtained. [The provisions enjoined are sufficiently minute, but in a country where every one revels in exact minutiae the details are probably not considered vexatious.] Special care is enforced concerning chimneys, their mode of construction, their protection against lightning, and proximity to dwelling-houses, &c. No part of the building may be such as to offer possible danger to other dwellings. Factories which discharge coal smoke, clouds of dust, or noxious fumes, cannot be erected within 1,800 feet of the banks of springs or brooks of drinking water, or in certain spots specified. In whatever situation, "black smoke must not be emitted from a chimney longer than 15 minutes." While building, a survey by the authority is compulsory at four stages in the operations. Strict precautions are enforced against fire, and cleanliness is well looked after. There is certainly no lack of inspection.

All such details of regulation the Draft leaves in the care of the local authorities, and confines itself to (six) general orders on the subject. If their requirements are not properly observed, the authority may carry out the work at the employer's expense. Mr. Saito repeats his expression of regret that the new Draft—unlike the former one—combines in a single law regulations concerning large bodies of workpeople and regulations affecting machinery, while yet the said law applies only to establishments of over 50 employés. Thus a concern with less than 50 workpeople is outside the protection of law, though it may be using machinery and employing women and children.

Boarding-houses (Pensions) and Associated Dwellings (Cités).—Most large concerns establish one or both of these, the latter chiefly for the sake of workpeople coming from a great distance. The boarding-houses provide mainly for girls and young women, the others are more adapted to the convenience of families. In the former food is provided, sometimes poor food, at a very small charge, the sum being deducted from wages; in the latter each family is simply lodged, at a rent much below the market rate. "Experience shows the superiority of the *cités* over the *pensions*. The *pensionnaires* are for ever on the move, while those who live in the *cités* settle down to hard work and are more profitable to the employer."

Inspectors.—Hitherto the inspection of workpeople and factories has been entrusted to the local superintendents of police. The Draft appoints Central inspectors (number not stated) under the direction of the Minister of Agriculture and Commerce. (The number of these will be increased as soon as the state of the Budget allows.)

By Art. 27 the Minister may curtail or suspend the work of employés under 14 whenever it is found that it involves risk, unhealthiness, or danger to morality.

[This vital matter of State inspection does not seem to appear very important to the framers of the Draft (who skim over the subject), or to the author, who dismisses the question in three pages, one of which

is occupied by a discussion as to whether the inspector should be allowed to enter a workshop at night.] Mr. Saito thinks also that there should be some provision to prevent disclosure of trade secrets by medical men and engineers who frequent industrial establishments.

Penalties.—The last chapter gives a list of punishments applicable to breaches of the proposed new law. By far the heaviest fine, 200 yen (£20) is reserved for any employer or agent who hires or takes part in hiring a workman whose contract with another master is still unexpired. This fine is imposed summarily by the competent authority, and the same fine may be applied also in the case of masters who employ less than 50 workpeople; such extension of the sphere of the law is demanded by the necessity of putting a stop to the practice of decoy.

The book concludes with a copy of the Revised Draft (pp. 178-188), which contains 6 chapters and 39 articles.

To a Japanese Cabinet, men who think nothing of winding up a Feudal System in a week, it must seem like senile decay to linger three years over such a trifle as factory legislation. But there is very strong opposition from business men; and this at a critical time—when the Government has such a costly programme to carry through that internal discord would be disastrous. Possibly, too, there is no eager attempt to push the Bill, because the Government knows that a Law would be impotent without an efficient phalanx of inspectors; and for this the Budget is not ripe. The supervision would be very effectual if there were enough inspectors, for in Japan a high official is not often disregarded. On the other hand, more trade unions are required, to consolidate and give public expression to the views of the workpeople, and a continued postponement of remedial legislation will tend to stimulate the growth of these societies. But the habit of saving must be cultivated if trade-unions are to exercise any power.

In the meantime Individualism is a vulgar state of affairs obnoxious to a Japanese, and there are thousands of better-class men who look on aghast at the new social relations imported by modern commerce. Yet they are loth to interfere, afraid of doing anything that might cause their country to lose ground in its determined resolve to achieve independence by facing foreigners with their own inventions.

The horrors of "the industrial revolution" in England have sometimes found apologists on the plea that the transformation occurred so rapidly. Yet in Japan the *bouleversement* was both more sudden and more widespread; by merely writing a cheque the latest developments of a totally different industrial system were instantly injected among a people previously inured to patriarchal simplicity. But since 1860 the nation has been well drilled in social earthquakes, and is accustomed to make light of catastrophe. In any case they will pull through the unhappy period of transition with less misery than occurred in England at the corresponding stage, for two reasons. The Japanese

Government knows its own mind, and goes straight to the mark—as was recently shown by the stamping-out of the “pest” in Osaka—and secondly, the people appear to possess a power of overriding injury which is almost unknown in the nervous West; their “temper” is unique.

Again, in the West the working people double their misery by constantly dwelling on it, listening to speeches or reading newspapers which merely harrow their feelings without affording any relief,—as if one persistently fingered a wound instead of dressing it. In Japan there is less of fevered imagination; they take things as they come, with an ineradicable buoyancy. An average Japanese will recover from a dangerous wound faster than a European would: he does not “worry,” and the flesh unites.

Further, the most shameful characteristic of the “revolution” with us was our pitiless ill-usage of children. But, unless the leopard should change his spots, this feature at any rate will not disfigure the history of the industrial upheaval which has come upon Japan.

A foreign critic must be struck by one unhappy circumstance in the present economic condition, the distrust of each other which is so frequently observed among the Japanese when it is a matter of business. A *régime* of unquestioning loyalty has been superseded by one of individual contract, and the new sovereign is hardly so sacred as the old. For centuries men of one grade had been linked with men of another by social ties and obligations which no one dreamed of contesting; suddenly the whole pack of human cards is shuffled and dealt for an entirely new game, to be played according to Western rules, rules which the nation adopts without conviction of their worth. Every unit is equally “independent” before the law (and indeed social life in Japan has a democratic *timbre* as in the West), but the nation has not yet had the practical experience which alone can make Democracy a going concern.

Let us hope this mist will soon disperse before the rising sun of a wider intercourse.

ERNEST FOXWELL

ECONOMIC LEGISLATION OF THE YEAR 1900

In spite of prophecies to the contrary, the legislative activity of Parliament during last year was well up to the average, the public general Acts placed on the Statute Book numbering sixty-three, or five more than in the previous year. Of these, many, *e.g.*, the Commonwealth of Australia Constitution Act, the Companies' Act, the Workmen's Compensation Act (extending the 1897 Act to agricultural labourers), the Agricultural Holdings Act, and the Burial Act, are all of the first-rate importance.

The Statute Book naturally reflects the great national crisis of the

year, and no less than seven Acts relate to the war, either providing funds or raising troops. In February, a sum of 13 millions was voted for the war, "for the service of the year ending 31st March, 1900," and in March a special war loan of 35 millions was authorised, the interest to be charged to the Consolidated Fund. For general expenditure 46 millions were appropriated at the end of March, and 95 millions in August, making, with the above-mentioned supplementary war grant of 13 millions, a total of 154 millions for the whole year, apart from the special loan. Of this total, the Army took the large proportion of 86 millions, the Navy, Civil Services, and Revenue Departments being content with normal allowances of 28 millions, 23 millions, and 16 millions respectively.

By the Finance Act of the year (c. 7) the tea duty is increased from 4*d.* to 6*d.* in the pound, income tax from 8*d.* to 1*s.*, and additional duties are levied on tobacco, beer, and spirits. The Sinking Fund, created in 1887, is suspended. These provisions are all, however, only temporary, remaining in force till August 1st next as to tea, tobacco, beer, and spirits, and as to income tax and the National Debt till April 6th next. With regard to the Death Duties a welcome, if rather meagre, abatement is made, in the case of officers dying on active service. In the present, or apparently any future, war the Treasury may, on recommendation of the War Office or the Admiralty, remit the duty up to £150 on any sums passing to the deceased's widow or lineal descendants, provided the whole estate does not exceed £5000.

Other clauses are framed to spread the meshes of the previous Finance Acts (1894 and 1896) still wider, and stop up one or two gaps which the Law Courts suggested still admitted of escape.

The Finance Act of 1894 renders all gifts made by the deceased within twelve months of death dutiable, so as to prevent death-bed transfers, made to defraud the revenue. There was a doubt in cases where a life-tenant surrenders his interest to the reversioners and then dies within twelve months of the surrender. The House of Lords had settled that, when the life-tenant died more than twelve months afterwards, no duty was payable, but left the other point open. It is now enacted by Section 11 that such a surrender within the twelve months shall be dutiable, and that even a surrender outside the twelve months shall be liable, unless there was a *bonâ fide* transfer of the enjoyment to the reversioner to the exclusion of the life-tenant.

Apart from Finance and following the plan adopted last year of dividing the Statutes into those relating to the Empire, to Great Britain, to separate kingdoms, England, Scotland, or Ireland, and lastly, to particular towns or localities, we commence with:—

1. *The Empire*.—Here the measure of greatest importance of the year is the *Act to constitute the Commonwealth of Australia* (c. 12); binding at last the Australian Colonies into a Federal whole. The Act declares it lawful for the Queen "to declare by proclamation that the people

of New South Wales, Victoria, South Australia, Queensland, and Tasmania, and also of Western Australia" (if satisfied that the people of the latter have agreed), "shall be united in a Federal Commonwealth under the name of the Commonwealth of Australia." The Queen is also empowered to appoint a Governor-General with a salary of £10,000 a year. The constitution framed by the Act follows the general type of Federal machinery known in America, rather than that of the Canadian Dominion, under the British North America Act, 1867. In Canada all powers not expressly given to the local governments are reserved for the central body. In America, on the other hand, and in Australia (Section 107), the residue of powers rests with the local States. Comparison with America and Canada is of interest on other points. The principle of State equality is preserved in Australia, as in America, by equal representation in the Senate or Upper Federal House. Each American State sends 2, each Australian State 6, Senators to that House; but in America the Senators are chosen by the Senates of each of the States; in Australia they are chosen directly by the people of each State voting as a whole (Section 7). Senators are to be chosen for six years, a half to retire every third year. The qualification for voting for the Upper House is, contrary to precedent, to be the same as for representatives sent to the Lower House. The aggregate numbers in the House of Representatives are to be as nearly as possible double those in the Senate, and in this case representation is to be proportional to population. The Lower House sits for three years, unless previously dissolved by the Governor-General. The qualification for electors for both Houses, till the Federal Parliament makes a uniform provision, is to be the same in each State as that existing for the Lower House within that State: this will admit women as voters, at any rate in South Australia. Aliens cannot sit in either House, and every member of the Federal Parliament is to receive £400 a year. Roughly, the powers reserved for the Central Parliament comprise trade and international commerce, taxation (provided there is no discrimination between States), coinage, posts, railways, and telegraphs, naval and military forces, and lighthouses and quarantine. Power is also given to deal with matters of private law of international importance, *e.g.*, bills of exchange, bankruptcy, copyright, patents, and naturalisation. Australia has wisely profited by American experience, and given the power of legislation in matters of divorce and marriage to the central authority. Money bills are only to originate in the Lower House, and cannot be amended in the Upper, following the old English precedent confirmed in 1860. In case of disagreement the Governor-General may dissolve Parliament; if, after a dissolution, the Lower House still insists on its measure and the Senate are obdurate the Governor-General may convene a joint sitting of the two Houses, when the absolute majority will decide. The right of the Crown to veto any measure within a year is expressly reserved (Section 59). A Federal Supreme Court is established to be called the High Court of Australia; the question of

appeals therefrom to the Privy Council was the only portion of the measure, as drafted in Australia, that raised much discussion here. As it now stands, Clause 74 is not very clear, but the general result is that no appeal is to lie to the Privy Council in any case where "the limits *inter se* of the constitutional powers of the Commonwealth and those of any State or States are in question," unless the High Court itself grant leave. Apart from this case, appeals to the Privy Council, whether with or without leave, seem to be on the same footing as before. With regard to taxation the Commonwealth is to collect all revenue, both external and internal, but is only to keep one-fourth for its own purposes, handing back the rest to the State from which it is collected. Within the Commonwealth trade is to be free. Amendments to the Constitution can only be made by exercise of the Referendum, and on a vote of all the electors.

A useful little Act (c. 14) allows solicitors in British possessions, who have been in practice for three years, to be admitted solicitors of the Supreme Court in England, provided that the Crown in Council is satisfied that adequate qualifications are required in the colony, and also that reciprocity is ensured there for English practitioners going abroad. By a short Act (c. 11), close on 2 millions more is voted for the Uganda Railway.

2. *Great Britain and Ireland*.—Provision is made for taking the census on Sunday, 31st of March next (c. 4), special provision being made for Ireland (c. 6). C. 27 imposes greater restrictions on *Railways*, with a view to the prevention of accident, and replaces Mr. Ritchie's abortive measure as to automatic couplings of a previous Session.

Following the precedent of the Factory Acts, power is given to the Board of Trade to make rules as to dangerous railway operations, and the Board may require the use of "any plant or appliance which has been shown . . . to be calculated to reduce danger to persons employed on the railway." Objections to the rules may be heard before the Railway Commissioners, who are to consider "whether the requirements of the rule would materially interfere with the trade of the country, or with the necessary operations of any railway company"—a section which would seem to leave a considerable loophole for the companies. Compliance with the rules is to be enforced by the Railway Commissioners, or by summary conviction and fine of £50, or £10 a day for continuing offences.

After much discussion and investigation a *Moneylenders' Act* at length finds its way on to the Statute Book (c. 51). All moneylenders, as defined by the Act, are in future to be registered and carry on the business in their registered, *i.e.*, ordinary trade, name, and at the registered address. The term moneylender includes any one who "advertises or announces himself or holds himself out in any way as carrying on that business," but is not to include pawnbrokers, friendly or building societies, corporate bodies allowed to lend money by Act of Parliament, or banks. There are many solicitors' firms who would

come within the above definition, and we shall be anxious to see how they will treat its provisions, and the penalties of a fine of £100, and imprisonment for a second offence, imposed by Section 2. Besides registration any Court is empowered to review any moneylending contract sued on from its commencement, and where the "transaction is harsh or unconscionable, or is otherwise such that a Court of Equity would give relief, the Court may reopen the transaction, and relieve the person sued from payment of any sum in excess of the sum adjudged by the Court to be fairly due." This is, in reality, only to reinforce for purposes of application in the County Court, the old equitable doctrine of relief against "unconscionable bargains."

There are two other measures of very considerable economic importance, which apply to the whole of Great Britain and Ireland, Mr. Ritchie's *Companies' Act*, and the *Workmen's Compensation Act*, to extend the Act of 1897 to agriculture.

The Workmen's Compensation Act of Mr. Goulding and others is very short, and consists of one operative section only: the Workmen's Compensation Act of 1897, and the rules thereunder, together with all the mass of cases decided under it, are to apply to "the employment of workmen in agriculture by any employer who habitually employs one or more workmen on such employment." The definition of "agriculture" very closely follows that of Mr. Chaplin's Small Holdings Bill of 1892, and includes "horticulture, forestry, and the use of land for any purposes of husbandry, inclusive of the keeping or breeding of live stock, poultry, or bees, and the growth of fruit and vegetables." The definition appears to be wide enough to include gardeners, provided they are employed during all their time by the same employer; and it is immaterial whether they are occasionally employed on other work if their main occupation is gardening (1(3)).

The *Companies' Act* (c. 48) is an Act of great economic importance, but will be fully dealt with in a future number and a passing notice here suffices. The chief subjects may be divided according as they apply to all companies or only to those registered since January, 1901. New provisions on the following points affect all companies, viz., director's qualification, application for shares, allotment of shares offered to the public, underwriting and brokerage, the prospectus and its contents, the registration of mortgages and the annual audit. The following only apply to companies registered after January 1st, 1901, viz., restrictions on commencement of business, rules as to statutory meeting, and the appointment and advertisement of directors. By the *Mines (Prohibition of Child Labour Underground) Act*, the age limit is raised from 12 to 13, and boys under 13 are not in future to be employed below ground; but this is not to apply to boys so employed before 30th July, 1900.

By the *Public Works Loan Act*, 1900 (c. 36), eighteen Commissioners, are appointed for five years, extending the provisions of previous Acts,

and 7 millions are entrusted to them to be lent on loan for the erection of public works in the three kingdoms.

The Agricultural Holdings Act, which excludes Ireland, alters and extends the Act of 1883. The tenant may now claim compensation for corn produced on the holding consumed by stock, and for the laying down temporary pasture, without either obtaining leave from, or giving notice to, his landlord. The tenant may now make his claim up to the day on which he quits his tenancy, instead of having to do so at least two months prior to quitting, as under the 1883 Act (Sec. 7); and the provisions as to removing fixtures, for which no compensation is payable, are to apply equally whether the fixture is actually constructed or only acquired by the tenant (Sec. 4).

On the other hand, the landlord is given the power to enter on the holding to view its condition at any reasonable time, a power which previously he only enjoyed where the contract was in writing.

Section 1 is careful to retain the provision that, in estimating the value of improvements, "*what is justly due to the inherent capabilities of the soil*," shall not be credited to the tenant; the phrase is copied from the 1883 Act. It is said that no case has ever come before the Courts in which these words have had to be applied, and the Royal Commission recommended their omission, and they did not appear in the Government Bill. However, they were reinserted in the House of Lords by a large majority, for fear that though the words as they stand can hardly be taken to have a meaning, their omission might.¹ But the greatest change effected by the Act is in the procedure for arbitration. On this point the whole of Sections 6 to 17 in the principal Act of 1883 is repealed, and Schedule 2 in the new Act is substituted for them. Points of law will go from the arbitrator to the County Court Judge, and thence direct to the Court of Appeal. A single arbitrator shall always be appointed unless the parties agree in writing to have two arbitrators and an umpire. False evidence before the arbitrator shall be perjury, punishable with imprisonment. The Board of Agriculture may prescribe forms for use in arbitration, which, if used, shall be deemed sufficient (Sch. ii. 16).

3. Of Acts extending only to one kingdom, the *Housing of the Working Classes Act* (c. 59, *England*) is the most important. This Act amends Part III. of the Consolidating Act of 1900, and is purely adoptive. It deals, like Part III. of the principal Act, solely with the powers of the local authority to establish lodging-houses for the working classes. Any Council, except a rural District Council, which has already adopted Part III., is now to have the power of acquiring or building lodging-houses for the working classes *outside* their district (Sec. 1). There is no definition of what are "working classes," either in this or in the 1900 Act. The power of adopting Part III. is now extended to the Council of any rural district with the consent of its County Council, who are to have regard in giving or refusing consent

¹ *Hansard*, Vol. lxxxv, 1900, p. 1182.

to the area, necessity for accommodation, probability of accommodation *aliunde*, and the liability incurred by the rates (Sec. 2 (2).) County Councils, upon a Parish Council resolving that a rural District Council ought to have taken steps for adoption of the Act, and have failed to do so, may themselves take over the powers of the District Council as to that parish.

M. BARLOW

THE TAFF VALE RAILWAY CASE.

AN important decision affecting the rights and status of trade unions was given during the past year, in the case of the *Taff Vale Railway Co. v. Amalgamated Society of Railway Servants*,¹ a decision ranking in importance with those in the recent great cases of *Flood v. Allen*² and *Lyon v. Wilkins*.³ The former of these decided that an act lawful in itself is not converted by a malicious or bad motive into an unlawful act, so as to make the doer of the act liable for a civil wrong; and where ironworkers objected to being employed in the same yard as shipwrights, on the ground that the shipwrights had previously done iron work on a ship for another firm, and Allen was sent by the ironworkers to tell the masters that unless Flood and Taylor, who were shipwrights, were discharged, *all the ironworkers would knock off work*, and the masters consequently discharged the shipwrights, it was held by six Lords to three (reversing the judgment of the Court of Appeal) that the shipwrights had no legal cause of complaint.

Lyon v. Wilkins was a picketing case and turned on the construction of section 7 of the Conspiracy and Protection of Property Act, 1878. That section declares that every person who, with a view to compelling any other person to do or not to do that which the latter legally is entitled to do, "watches or besets the house or other place where such other person resides, or works, or carries on business," shall be liable to penalties; an exception is, however, made in the case of "attending at or near the house or place where a person resides or works—in order merely to obtain or communicate information." The Court of Appeal, upholding Byrne J., held that all "watching and besetting," i.e., picketing, except for the purpose of obtaining or communicating information, was not only illegal under the Act, but a nuisance at common law.

The Taff Vale case turns on the Trade Union Acts,⁴ and goes to the whole constitution and existence of those bodies. According to the law of England individuals cannot voluntarily, and by a mere act of their own, turn themselves into corporations, and so constitute an artificial, undying entity, with an existence apart from the persons who compose it. Corporations might be con-

¹ *Weekly Reporter*, vol. 49, p. 101. C.A.

² 1898. *House of Lords*, p. 1.

³ 1899. 1 Ch. 255. C.A.

⁴ Act 1871 (34, 35 Vict.), C. 31; and of 1876 (39, 40 Vict.), C. 22.

stituted by (i) *Royal Charter*, as many charities have been, and recently the South African Company; or (ii) by *Act of Parliament*, whether a special Act, as in the case of a railway company, or a general Act applicable to all bodies who satisfy certain formalities, *e.g.*, companies under the Companies Acts; or (iii) by *prescription*, as in the case of the Inns of Court. Partnerships in English law are purely voluntary, but they are not corporations,¹ *i.e.*, they have no existence apart from the individuals who compose them; if a partnership is sued, it is not the firm but the partners individually² who are liable. The question is of importance with regard to a trade union in this way: Is a union a corporate body? If so, it will have an existence apart from the members who at any one time compose it; it can sue and be sued as a corporation; judgment against the union will bind its property quite apart from the individual members. The answer turns on the Trade Union Acts: unless they constitute the unions corporations, the latter have no more separate legal existence than a club or a partnership. Now the Companies Act (1862), the Building Societies Act (1874), and the Industrial and Provident Societies Act (1893) do in so many words declare that seven or some other number of persons, who go through certain formalities, shall be "incorporated"; this the Trade Union Acts are careful not to do: nor do they give the trade unions any right to sue or be sued; they simply say the unions may be "*registered*." Mr. Justice Byrne, in the Court below, thought that was sufficient; that though not "a corporation, nor an individual, nor a partnership between a number of individuals," yet that Parliament having to some extent recognised their existence, they could be sued as unions and not as individuals; that as they could hold property and act through agents, these rights implied correlative duties, *i.e.*, the liability of being sued in the registered name. But the Court of Appeal held, and no doubt rightly, that for an entity or artificial person to be capable of acting in this way, it must either be incorporated or given the power expressly of suing and being sued. So far from this being allowed by the Act, section 9 of the Act of 1891 expressly empowers the trustee or other officer to sue or be sued on behalf of the union, clearly implying that the union as such could not so act. Consequently the action against the union in its own name would not lie, and was dismissed.³ Whether the law should be amended is a matter of opinion,⁴ but the contention of Mr. Justice Byrne seems conclusive that those who enjoy the privileges of holding property should submit to the natural corresponding liabilities.⁵

M. BARLOW

¹ They are in Scotland; and partnerships with limited liability, by Act of 1892, are allowed in Germany.

² R.S.C. O. xlviii. A. 1-11.

³ Stephen, *History of Criminal Law*, vol. iii., 208-227, gives the history of the law leading up to these Acts.

⁴ *Law Times*, December 8, 1900, p. 132.

⁵ The Union has had to give security on appeal. See *Times*, February 5, 1901.

CITY NOTES.

We have received the following City notes from "R. G." :—

A Financial Collapse.—The end of last year and last century was marked by a financial collapse, resulting in many failures on the Stock Exchange, which came perilously near being a very great smash indeed. This was the stoppage of the London Globe and Finance Corporation, a company formed to promote the development of undertakings which were to be financed in the early stages of their existence until their position was so far proved that they could be placed with investors as having passed the experimental stage—a company formed, in other words, to do very much the business of a large contractor who gets concessions and undertakes great works requiring much outlay of capital, and who calculates that ten years must be allowed for the complete turn-over of his capital, from the time he makes the first payments for his concession until he has disposed of the stocks and shares of the undertaking itself to the public. The business was thus most legitimate and of a most interesting character, so that it is not surprising to find that this particular Company had Lord Dufferin for its chairman and other distinguished men for its directors. Unfortunately it would seem, at least in the later stages of the Company's existence, the practical men concerned in the management had devoted a great deal of attention to the Stock Exchange department of their business, incidental to some extent to the sale of their holdings in subsidiary companies to the public, and they had become involved in a duel of "bulls" and "bears" such as occurs sometimes among opposing speculators on the Stock Exchange. Whatever the exact rights and wrongs of this duel may be, the final outcome was that the "bears"—the speculators for the fall—were victorious, their deliveries of the shares which were the subject of the duel being more than their opponents could pay for, and the failure to pay being attended by another heavy fall. On the Stock Exchange at once there were many failures, about eighteen firms, including over thirty members, being "hammered," and very considerable losses being occasioned to other firms and members who were not directly concerned. The market chiefly involved was one of the new markets which have been created within the last few years owing to the sudden development of business, viz., the West Australian mining market; but almost all the more speculative markets of the Stock Exchange were more or less affected. The wonder is in these circumstances that the *débâcle* was not even more general; but it was serious enough, especially coming, as it did, at the very close of the year, when transactions are finished and accounts are closed, and when people who might otherwise assist are unwilling to begin a new period with heavy advances. It is somewhat

difficult to obtain a measure of the collapse, as there has been no public inquiry of any kind, owing to the private nature of failures on the Stock Exchange, which are dealt with by the Committee of that body itself, and owing to an agreement between the creditors and shareholders of the Corporation in favour of a voluntary winding-up. The nominal capital of the Corporation was, however, £2,000,000, and at a meeting of the Company not long before the smash there was said to be a surplus of assets amounting to over half a million. Just at the time of the stoppage the shares were reduced to a third or fourth of their nominal value, and there was a similar fall in the shares of subsidiary and allied companies. The losses involved to individuals must accordingly have amounted to hundreds of thousands, and a certain department of Stock Exchange business has almost been extinguished for the time.

Lord Dufferin.—The event is perhaps most interesting to the public from the position of the chairman, Lord Dufferin, who had been about to resign before the last troubles came, and who felt himself bound in honour to remain until the arrangement for a voluntary winding-up was agreed to. Great sympathy was felt for him, and his misfortune is another illustration of the danger there is for people with “names” to go into the City late in life with the idea of posing as heads of great businesses. Lord Dufferin avowed from the first that the Stock Exchange department of the Company’s business was beyond him. This was the department whence the final misfortunes came. But the lesson clearly is that the chairman and directors of a great company ought to know and control the business, and it is not an adequate excuse that certain parts of it were beyond them and were left to others.

Was the Business proper for a Company?—In any case the question seems to be raised whether the business over which the Company came to grief, that of buying and selling the shares of subsidiary companies on the Stock Exchange, was quite a proper one for a limited company, including many shareholders, widows and orphans and the like, to engage in at all. The shareholders who attended the meetings, or gave their proxies in the present case, and the creditors concerned, have quite condoned the offence against them, if there was one. There is nothing more to be said, therefore, as far as they are concerned. But it may be evident from their experience to those who are tempted to meddle with a similar enterprise that the path is a most dangerous one, and not for members of the outside public. One way of losing money in the City is, in fact, to become a shareholder in a company which engages in Stock Exchange

speculation. The game may answer for a time, but the business is hardly one for quiet investors to take a hand in.

Speculative Undertakings.—Incidentally the collapse brought to public notice the sources from which, at times, money is found to begin and carry on enterprises of public interest, which no one would think of as being financed from such an out-of-the-way quarter. One of the assets of this Corporation consisted of its interest in the Baker Street and Waterloo Railway, one of the tube railways of London, on which it was said to have spent about £750,000. In other words this particular Corporation, chiefly concerned in Australian mining, and having drawn large profits from that source, was contributing to the supply of London with its tubular railways. The case is not unlike what is said to have happened with the Chatham and Dover Railway in its early days many years ago, the funds for the construction of that railway having been obtained from finance bills in the Levant trade, a source remote enough in all conscience from the construction of a railway between London and Chatham. There is, of course, no objection to the use of profits obtained in one business for the development of another, however different and however remote; but actual instances are useful to the outside student, who likes to see the closeness of the network connecting one business with another in directions not likely to be noticed in ordinary experience.

The Money Market.—The financial collapse in the City coincided with an advance of the Bank rate to 5 per cent., such as appeared to be impending at the beginning of last December. This rate continued in January, but the market again fell off, and the Bank rate was lowered in February to 4 per cent. Thus the see-saw in the money market goes on. The chronic tendency is for rates to advance, but each advance tends to check business and produce a reaction in the opposite direction. Accordingly there is oscillation at a somewhat high level, which may not improbably go on until a disturbing incident occurs such as the financial collapse at the end of last year threatened to be. A special reason for the Bank rate being reduced is furnished by the large influx of revenue money into the Bank in the early months of the year. The Bank is traditionally opposed to charging high rates in the heavy revenue months of January, February, and March, when it holds the money of the public. The chronic tendency, nevertheless, is still towards higher rates.

The Fall in Coal.—The change from dear to less dear coal has not been long in coming, so that the coal famine of 1900 may be definitely

considered a thing of the past. Already the gas companies, which raised their price mostly about 6d. per 1,000 feet on account of dear coal, are talking of reduction in July next, so that the high price will have lasted little more than a year. But the strain on all profits has been severe while it lasted. Railway and gas companies, among our public companies, have specially suffered, and what has happened publicly one may be sure has also happened privately. Profits for some time have been lessened, and *pro tanto* this must be a hindrance to all new enterprise. As yet there is little sign of a check to trade in the employment of labour returns, or in the increase of pauperism, or in the stoppage of the growth of revenue; but there are unfavourable symptoms in all directions. It is hardly possible in any case that 1901 can exhibit so great an advance on 1900 as was exhibited in that year over 1899, and possibly there may be a slight decline.

The Steel Combine.—In these last few weeks a great deal has been said about the gigantic combination in the United States for the production of iron and steel. Mr. Carnegie is to be bought out by the new syndicate for the bewildering sum of £26,000,000, and the whole combination involves a capital of £230,000,000, with an aggregate annual profit, as the figures stand at present, of about £20,000,000, far more than the revenue of many an important State. This will, of course, be the biggest thing in the way of trusts and syndicates yet heard of, even in the United States. Great things are prophesied as to the effect of this combination internationally, in promoting American trade and injuring or destroying that of American rivals. But perhaps speculation is a little premature till we see how a syndicate will manage the business of steel-making, not nearly so simple as that of oil-producing or sugar-refining, for which trusts and syndicates already exist. The subject is altogether too big to discuss in these notes.

The Settlement in South Africa.—The equanimity and patience of the City as to the close of the war, which was referred to in these notes three months ago, are still being manifested, and it is claimed that events have fully justified this attitude of mind. The guerrillas have had a bad time of it, the settled occupation of the conquered territories goes on extending, and the inevitable end accordingly draws nearer. The City is, of course, greatly interested in having a thorough settlement which will not be reopened, as there is much preparation for investment of new capital and the establishment of agencies for carrying on mining and other industrial business as soon as there is opportunity; and from the point of view of those who are thus looking forward they do not feel that they need regret the prolongation of the war, which has brought with it the more thorough defeat of the

irreconcilable elements among the Boers and the closing of the war under circumstances which make the non-return of many of the irreconcilables probable and inevitable. I am sorry to find that in echoing this view three months ago I have been supposed to be expressing opinions on the policy of the war itself or its conduct, which is not the case. The business view of the conditions of the settlement is, however, not out of place in these pages, and I understand is being discussed in another part of this number of the JOURNAL.

R. G.

LABOUR NOTES.

THE curve of unemployment published each month in the *Labour Gazette* showed 4 per cent. out of work at the end of January, as compared with 2.75 per cent. a year ago. The upward trend of the curve, with a set-back in October and November and stationariness during January, has been continuous since the end of March of last year. The slackening off in the labour demand thus reflected confirms general anticipations. Perhaps more significant than the last recorded unemployment percentage are the last returns of changes in the rates of wages, these showing for January, for the first time since November, 1897, a net decrease. The number of workpeople affected (54,692) is not large, but of the total only about 3,000 received advances. The net effect of all changes reported is a reduction of 1s. 7½d. per head weekly. In the iron and steel trades twenty-two decreases, affecting 37,553 workpeople, were reported, and no increases. The turn of the coal-miners is still to come, but meanwhile the Cumberland men have agreed to forgo the two advances of 5 per cent. that it was agreed in the autumn should come into operation in January and February of this year. In January, 1900, it may be noted, the net result of the changes reported was an average advance of 1s. 4½d. in the weekly wages of no fewer than 698,000 workpeople. Less than 2 per cent. of the changes reported last January were preceded by disputes leading to any stoppage of work.

IN few directions in the ranks of organized labour are conditions of unrest, and still less of active dispute, found at the present moment; the unsettlement among the employees of the Taff Vale and possibly of one or two other railway companies, providing the more conspicuous exceptions to what is just now the general rule. Signs are, happily, not wanting that better organization is being often followed by better judgment, and, especially among the higher Trade Union officials, by a quieter determination to take an all-round, instead of a purely partisan view, of industrial relationships. This is, perhaps, a matter upon which it is rash to

generalize, but the comments of trade unionists on the question of education ; the wider recognition of the threatening reality of foreign competition ; the prominence given to the discussion and elucidation of technical processes in some of the journals of the Trade Unions, and the growing tendency for the Unions to become something wider than protective organizations of small sections of workers, are among the more hopeful signs of the moment ; while probably at no time in the past were the Unions so widely recognized as providing on the side of "labour" the machinery of pacific adjustment of difficulties that may arise.

THE unfortunate dispute at the Penrhyn quarries continues to afford a conspicuous example of the need, not so much of the unity that organization is supposed to secure, as of good leadership. A remarkable degree of solidarity has been shown, but so far it has achieved little or nothing, save the negative gain of drawing attention to a difficult position. Nothing that has happened during the past three months has changed our opinion that this dispute is due to sentimental rather than to economic grievances. They are neither less serious nor less real on that account, but they make a special demand upon the tactful resources of industrial diplomacy ; and under the circumstances conciliatory methods appear to have been even more called for than actual concessions.

THERE have been few events to record since November, the chief being the conference that was arranged between representatives of the men and the manager, Mr. Young, towards the end of December, the terms that were offered, and the vote of the men upon them. Great hopes were roused by this meeting, but few negotiations have been more successfully mismanaged. Although, for instance, it was understood that no agreement would be binding until referred to the men, no understanding was come to as to the exact form in which the terms submitted by Mr. Young should be sent out to the men, or as to the form of voting paper that was to be used. The decision of the men's representatives that the papers must be signed was protested against by Mr. Young when it was too late, but the misunderstanding probably had something to do with the fact that only about two-thirds of the quarrymen voted at all, and that of those papers that were sent in, only 77 recorded votes in favour of the terms, as compared with 1707 against. More serious, however, than the form of voting paper was the form in which the terms were submitted to the men. Mr. Young, it is true, had not conceded much, but it is not unfair to say that the way in which the concessions made were put before the men did much to ensure their rejection. Instead of sending round the statement that Mr. Young had handed in, a statement that was concise, explicit, and

not unfriendly in tone, the men's representatives circulated their own version of what was offered, a version that was not only in some respects incorrect in fact, but that omitted the brief explanations that Mr. Young had given of the position that he felt obliged to adopt.

ALTHOUGH, therefore, no settlement has yet been arrived at, it is probable that the outlook is considerably brighter than it was at the end of the year. Time is often a great healer of industrial troubles, as of private grief, for men's minds work, even though no documents are signed. There is reason to think that the somewhat stubborn attitude of the men will change before long, and that the next step, which should come from them, will be taken. If they could see their way formally to repudiate the violent methods of redress unfortunately resorted to by a few of their number in the autumn, a step would have been taken that would do much to facilitate the reopening of successful negotiations. More of the men probably see by this time that the rejected terms did at least contain the germs of concession and of future peace. The offer, for instance, made by Mr. Young of an experiment in collective bargaining, ought certainly to be accepted; for, although it was not made in the form desired, there is no reason why, if successful, the principle should not be more widely adopted in the quarries, and even gradually lead to the supersession of the system of subcontracting that is so much disliked. The matter would rest with the men themselves; upon the practical grip that they showed of the principle of association, and upon their willingness and ability to work without the supervision of the sub-contractor. For, in the long run, the latter only maintains his position when experience shows that he is required. In the direction of common representation of the men, as distinguished from representation by grades, an opportunity is open to the management to make further concessions. If they be withheld, they will still be hoped for by the men, for they are identified in their minds, and neither unreasonably nor wrongly, with their "rights," and than these, even though they belong to the formalities rather than to the essentials of the case, no agency is more powerful—for peace if granted, and for friction if refused.

AFTER fifteen weeks, the strike of the Thames Lightermen has broken down, the only concession granted by the masters being an additional sixpence, per day or night, to watchmen. Their general interpretation of the Brassey Award is adhered to. The synchronising of this dispute, turning mainly on the rates of pay for overtime, with the Parliamentary inquiry into the Port of London, has made many onlookers rub their eyes in wonder at the folly of those who have thus been hastening on their own downfall; for it has been a fresh reminder to every one concerned that the inconvenience caused by this dispute has been entirely due to the monopoly which their charter secures to

the lightermen. The whole of the dock system of London is probably on the point of being overhauled and revolutionised, but the recent trouble has shown that nothing more antiquated is likely to be discovered in the Port of London than the exclusive rights that have so long been secured to one body of riverside workers.

THE important agreement entered into last year between the National Metal Trades Association and the International Association of Machinists comes into full operation next May, the working hours throughout the whole area covered by the organizations concerned thus becoming fifty-four per week, the hours to be divided, subject to the clauses as to overtime, "as may best suit the convenience of employers." By this agreement, American engineers will be brought, "somewhat tardily," as the Journal of the Amalgamated Society of Engineers says, into line with their fellow-craftsmen of Great Britain. The British Journal, in offering its congratulations to the International Association of Machinists, expresses the hope that "there and here other steps in the same direction may be taken as may be possible."

THE great English Trade Union, to which reference has been made in the preceding note, has just reached its fiftieth anniversary, the Amalgamation having been formed on January 6, 1851. It has successfully weathered the storm that it raised three years ago, and begins its second half century holding, by general consent, the premier position among the Trade Unions of the country, and thus of the world. New and commodious offices of the Society have been recently erected in London, and the successful completion of this undertaking has happily coincided with its jubilee. Plans for the more special celebration of this event are, however, still under consideration, and the view that appears to find most frequent expression would associate it with some undertaking by which the members, and especially the younger members, shall be able to secure, through the endowment of special scholarships and prizes, "more thorough education," both technical and general. The present membership of the Society, including 3,759 on superannuation benefit, is 87,688.

AMONG the subjects upon which deputations from the Parliamentary Committee of the Trade Union Congress have recently been waiting upon various members of the Government have been the following: the Housing of the Working Classes; the Fair Wages Resolution passed by the House of Commons; Workmen's Trains; and the further extension of the Workmen's Compensation Act. It is improbable, however, that even the most sanguine of the delegates is looking forward to the present Parliamentary Session as one that is likely to be very fruitful in industrial legislation.

CURRENT TOPICS.

THE British Association for the Advancement of Science will meet this year at Glasgow on September 11th. Sir Robert Giffen, F.R.S., will preside over Section F. The vice-presidents will be Dr. James Bonar and Professor Smart; the secretaries, Mr. E. Cannan (Recorder), Mr. S. J. Chapman, Professor Flux, and Mr. Blackie of Glasgow.

THE Royal Academy of Belgium has nominated the judges who are to award the Laveleye prize. This prize, amounting to 2400 francs, is to be awarded every six years on the "Belgian or foreign savant" whose works as a whole shall be considered by the judges to have made an important advance in political economy and the allied science. The prize was founded by international subscription. The list of judges includes many well-known names, Professor Schmoller of Berlin, Professor Mahaim of Liège, and other Belgian professors.

DR. V. MATAJA, Chief of the Section in the Ministry of Trade in Vienna, has been appointed Professor of Political Economy in the Consular Academy there.

DR. THOMAS NIXON CARVER has been appointed Assistant Professor of Economics in Harvard University. Born at Iowa in 1865, Professor Carver has held some important academic posts. He is the author of numerous contributions to periodical literature, distinguished by a high order of speculative acumen: for instance, his article on "The Ethical Basis of Distribution and its Application to Taxation" in the *Annals of the American Academy for Political Science*, 1895.

A COMMITTEE representing different Universities and professions, —diversified in their pursuits and studies, agreed in the admiration of philosophical genius—met last November to consider what steps should be taken to perpetuate at Cambridge the memory of the late Professor Henry Sidgwick. This General Committee appointed an Executive Committee, including the Right Hon. James Bryce, Dr. Butler (Master of Trinity College), Professor Dicey (of Oxford), Professor Foxwell (of University College, London), Professor Hudson (of King's College, London), Professor Sir R. Jebb, Professor Maitland, Professor Sir Marshall, Professor Sorley and others, to decide on the most appropriate form of memorial. Their decision is in favour of a Lectureship in Moral Science. The Committee hope to raise a sum

large enough to make it possible to offer a fund to the University which will suffice for the establishment of a University Lectureship in Moral Science, to be called the Sidgwick Lectureship. The minimum stipend of a University lecturer is £50, and it is desirable that the fund should amount to not less than £2,000. Subscriptions towards the Sidgwick Memorial Fund may be sent to the treasurer (Dr. Peile, Master of Christ's College), or may be paid directly to the Sidgwick Memorial account at the bank of Messrs. Barclay and Co. (Mortlock's Bank), Cambridge.

MR. A. L. BOWLEY has been elected a member of the Council of the British Economic Association in the place of Professor Sidgwick.

WE regret to have to announce the death of the eminent French economist, M. Maurice Block. Born in 1816, M. Block began his literary career in 1850, and continued active as a writer for half a century. The number of the *Journal des Economistes* which contains his last quarterly review of contemporary economical publications contains also the announcement of his death. A complete list of his writings would exceed our limits, but we may refer with special approbation to his *Traité théorique et pratique de Statistique* and *Les progrès de la science Économique depuis Adam Smith*.

RECENT PERIODICALS AND NEW BOOKS

The Economic Review.

January, 1901.

Progress. RIGHT REV. LORD BISHOP OF DURHAM. *American Currency. Difficulties in the Eighteenth Century* W. CUNNINGHAM. [The project of enhancing silver coins presents interesting analogies to Mr. Bryan's programme.] *Some Economic Aspects of the Sugar Problem.* GEO. MATHIESON. [A vigorous protest against the proposal to tax our sugar.] *The Inspection of Women's Workshops.* Miss AMY HARRISON. ["While the legislature is making experiments, thousands of women are, in flat defiance of the law, made to toil for excessive hours under insanitary conditions, in uninspected workshops." *Prosperity-sharing versus Profit-sharing in Relation to Workshop Management.* W. H. LEVER. [The co-operative movement of the Leclaire type has failed; so "let us recognise the family brotherhood of labour, and introduce closer bonds between capital management and labour than a mere bald contract for wages."] *Trusts in America.* THEODORE MARBURG. *An Essay in Statistics.* E. T. CAMPAGNAC and C. E. B. RUSSELL. [The results of first-hand amateur inquiries as to birth-place, occupation, &c., of residents in certain districts of Manchester and Salford.]

Journal of the Royal Statistical Society.

December, 1900.

On the Distribution of Population in England and Wales, and its Progress in the Period of Ninety Years from 1801 to 1891. T. A. WELTON. *Population and Birth-rate.* MARCUS RUBIN. [A contrast between the present and the past in respect of fecundity, age-distribution, and other particulars.] *On Life Tables.* T. E. HAYWARD. [A sequel to *Journ. Stat. Soc.*] *On the Use of Auxiliary Curves in Statistics of Continuous Variation.* W. F. SHEPPARD. [Continued from p. 458.] *Farm Prices of Wheat and Maize in America, 1870-99.* R. H. HOOKER.

The Journal of the Statistical Society of Ireland for 1900 contains an elaborate article on the Economic Development in Ireland, by C. H. Oldham, Barrington Lecturer on Political Economy.

The Report of the British Association for the Advancement of Science for 1900 contains among the Reports on the State of Science the Report of the Committee on Future Dealings (drawn up by the Secretary, Professor Flux, with the assistance of Mr. R. H. Hooker), the allegations that dealings in futures (1) depress prices, (2) render them unstable, are disproved by reasoning and experience. The nicely-measured variability in the price of wheat has decreased with the improved organisation of future-markets, at least if we look to the absolute amounts of the variations and not to the percentage by which the price varies.

The Nineteenth Century.

January, 1901.

England's Peasantry: Then and Now. REV. DR. JESSOP. Old times were not altogether bad; even Gilbert's Act of 1782 had the merit of keeping the peasant alive.

February.

The Economic Outlook in the Transvaal. ARTHUR B. MARKHAM, M.P. The use of Chinese labour, direct taxation, and, to hit "promoters," a heavy impost on undeveloped mining claims are recommended.

The Contemporary Review.

January, 1901.

Farmers' Villagers. D. C. PEDDER. The labourers are being driven from the land by the harshness of the farmers.

February.

Co-operators: the State and the Housing Question. G. SLATER.

The Quarterly Journal of Economics (Boston).

February, 1901.

Trust Literature. C. BULLOCK. [An immense mass of recent literature is critically surveyed; Ely's *Monopolies and Trusts* and Jenks's *Trust Problem* (see above, page 52) being selected as most useful for the general reader.] *The Fundamental Economic Problem.* C. A. TUTTLE. [Value is not mere ratio of exchange. "The social value of an article . . . expresses quantitatively the well-relation of society to that article," as Jevons divined.] *Competition and Capitalisation as Controlled by the Massachusetts Gas Commission.* J. H. GRAY. [A sequel to the author's article of August, 1900.]

Political Science Quarterly (New York).

December, 1900.

War and Economics. E. VAN DYKE ROBINSON. The ultimate cause of war in all ages has been the law of decreasing returns. Thus, the Peloponnesian War resulted from the pressure of a large population on poor soil. It would be no exaggeration to call Thucydides' work "the economic interpretation of Greek history." So the crusades had their business side. The harmony of national interests was much exaggerated by the Cobdenites. But it is true that the arts of peace afford the sinews of war. *Si vis bellum para pacem.* A bibliography of discussions on the subject is appended.

Recent Discussion of Tax Reform. E. R. A. Seligman. Various recent publications—Mr. David Wells's *Theory and Practice of Taxation*, the Johns Hopkins *Studies in State Taxation*, the Report of the Wisconsin State Commission, the Report to the Legislature of New York by the Joint Committee on Taxation, and the Mortgage Tax Bill, which resulted therefrom—are instructively discussed.

American Academy of Political and Social Science (Philadelphia).

January, 1901.

The Anthracite Coal Strike. F. J. WARNE. The action of the Pennsylvania miners has stopped the reduction of cost by the cutting of wages.

Journal of Political Economy (Chicago).

December, 1900.

The Anthracite Miners' Strike of 1900. GEO. A. VIRTUE. *Shipping Subsidies.* F. L. McVEY. *The Distribution of Money.* C. A. CONANT.

The evidence taken before the Select Committee on Municipal Trading in Great Britain and the new census of Cuba are well summarised.

Journal des Économistes (Paris).

December, 1900.

Le Problème du gouvernement individuel. G. DE MOLINARI. *Concert Méditerranéen.* Le Contre-Amiral REVEILLÈRE. *Banques primitives de l'Italie.* PIERRE ESSARS. *Mouvement scientifique et industriel.* DANIEL BELLET. *Revue de l'Académie des Sciences morales et politiques* (du 1er Août au 23 Novbre., 1900). J. LEFORT. *Une Théorie de la Population.* G. CANDERLIER. *La Question de l'Union douanière austro-allemande en Autriche.* E. CASTELOT.

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Histoire des Classes ouvrières et de l'Industrie en France avant 1789. M. E. LEVASSEUR. Tolstoï—*La Guerre et la Paix.* FRED. PASSY.

January, 1901.

Necrologie : Maurice Block. M. G. DE MOLINARI. *Le Marché financier en 1900.* M. A. RAFFALOVICH. *La Charité.* LADISLAS DOMANSKI. *Revue des principales publications économiques de l'étranger.* MCE. BLOCK. *La Politique coloniale Américaine.* ROUXEL. *Un Hôtel ouvrier à New York.* B. D. *Un Mémoire inconnu de Vincent de Gournay retrouvé en Suède.* M. SCHELLE. *La Vulgarisation des Connaissances scientifiques : Un nouveau Dictionnaire des Sciences.* M. D. BELLET. *Un Cadeau de Jour de l'An.* M. FRED. PASSY.

February, 1901.

Sociétés secrètes et assurances fraternelles aux Etats-Unis. G. N. TRICOCHÉ. *Coup d'œil sur la Littérature économique de l'Espagne au XVI^e et au XVII^e Siècle.* E. CASTELOT. *Le Mouvement agricole.* L. GRANDEAU. *Revue des publications économiques en langue française.* ROUXEL. *William Petty et son Œuvre économique.* II. BOUËT. *Giuseppe Verdi.* PAUL GHIO.

Revue d'Économie Politique (Paris).

December, 1900.

Le système des impôts directs d'État en France. H. TRUCHY. *L'Assistance médicale.* H. PINON. *La Notion de l'Etat.* M. HEINS. *Evaluation de la Fortune privée en France (suite et fin).* V. TURQUAN. [The last of an important series. One conclusion is that the fiscal charge (including local taxation) absorbs the sixth part of the average income yearly.]

January, 1901.

Revolution monétaire du XVI^e Siècle. E. LEVASSEUR. An historical study verifying that prices rose in consequence of the influx of precious metal, as Bodin, almost alone among his contemporaries, perceived.

Les Insectes sociaux et la Société humaine. CHARLES EMERY. Amazon ants supported by auxiliaries have only a superficial resemblance to a warlike noblesse. Armies of ants are not commanded like human armies ; rather, like human crowds, are influenced by the contagion of example (*la suggestion mutuelle et l'entraînement de l'exemple*). The limitation of the power of reproduction to a few and the absence of the instinct of progress in the insect communities are essential differences. Not many lessons proper to humanity are to be obtained by going to the ant, or to the wasp.

La Conciliation et L'Arbitrage obligatoires en Nouvelle-Zélande. ALBERT METIN. Compulsory arbitration in New Zealand has encouraged organisation, and has led to increase of wages with reduction of hours, conditions which may require for their maintenance a protective tariff. The consequence that New Zealand products

may be too dear to export is accepted. "We prefer," say many, "to produce for ourselves only until the world has adopted our system of labour legislation." However all the employers are against the new law.

L'essor économique du Japon d'après quelques publications récentes.

G. BLUNDEL. A bright picture of progress.

February.

L'Agriculture moderne et la tendance à s'industrialiser. J. HILIER.

[In respect of "diminishing returns" division of labour and the use of machinery, the difference between agriculture and manufactures is diminishing. *La Spécialisation et ses conséquences.*

LAURENT DECHESNE. *Le Développement des principaux ports maritimes de l'Allemagne.* A. AFTALION.

Jahrbücher für Nationalökonomie (Jena).

December, 1900.

Getreide als Geld. A. TILLE. *Ueber die Vereinigung der Staatswissenschaften mit den Juristenfakultäten.* G. COHN. *Zur Korinthenfrage Griechenlands.* EL. ZEUGHELIS.

January, 1901.

Deutschland, Volkswirtschaft beim Eintritt ins 20 Jahrhundert. F. Zahn.

Jahrbuch für Gesetzgebung (Leipzig).

No. 1. 1901.

Die englische Gewerkvereinsentwicklung im Lichte der Webbschen Darstellung. G. SCHMOLLER. [A highly appreciative description of Mr. and Mrs. Webb's Industrial Democracy.]

Zeitschrift für die gesamte Staatswissenschaft (Tübingen).

1901.

Die Produktionskostentheorie Ricardo's und die ersten Aufgaben der theoretischen Volkswirtschaftslehre. DR. G. CASSEL. *Zur Lehre vom steuerfreien Existenzminimum.* J. NOTHARDT. And other articles of interest to the English economist.

Finanz Archiv. 17er Jahrgang. 1er Band.

This number is mainly devoted to taxation in Bavaria. The learned editor (Professor Schanz) first discusses the question of tax reform in that country, but does not appear hopeful as to its accom-

plishment. He then supplies an elaborate history of the development of produce taxes since the establishment of the kingdom, which supports the theoretic discussion. The laws of 1899 respecting the taxation of income, capital, and industry are finally given at length, and show the present situation.

Dr. Jurhülsen describes the English Finance Act of 1899 and the financial statement of that year.

The usual comprehensive bibliography of financial works for 1899 is also given.

Giornale degli Economisti.

December, 1900.

Le Basi Fondamentali di una Scienza Finanziaria Pura. G. MONTE-MARTINI. *La Missione Speciale del Veltro Dantesco.* A. MORENA [Dante's views as to the distribution and use of riches]. *Ancora del Decimo Sciopero di Molinella.* G. E. STURANI. *Una Storia dell' Anarchismo e del Comunismo.* V. GIUFFRIDA.

January, 1901.

Sulla ragione dell' imposta. A. PUVIANI. *La rinnovazione dei Trattati di Commercio e gli interessi della provincia di Bari.* A. BERTOLINI e A. GRAZIADEI. *Il bonificazione idraulico dell' agro romano.* C. CARASSAI. *Zecche le metalli preziosi nel 1899.* G. B. SALVIONI.

February.

Sul Principio Economico: Replica all' articolo del Prof. Pareto. B. CROCE. *Sul Principio Economico.* V. PARETO. *La Riforma Monetaria in Austria Ungheria.* G. CRIVELLARI. *La Rinnovazione dei Trattati di Commercio* A. BERTOLINI e A. GRAZIADEI.

NEW BOOKS.

BEARD (CHARLES). *The Industrial Revolution.* London: Sonnenschein. Pp. 105.

[A creditable sketch. In a prefatory note Professor York Powell puts some relevant truths forcibly. "A plumber is not a useful or admirable creature because he plumbs (if he plumbs ignorantly or dishonestly, he is often either a man-slayer or a murderer), but because he plumbs well." . . . "All books about books and the miserable computations made at second hand by second rate men are to be avoided."]

BOWLEY (A. L.). *Elements of Statistics.* London: P. S. King. 1900. 8vo. Pp. 420. 10s. 6d.

DAVIDSON (Prof. JOHN). *A Commercial Federation and Colonial Trade Policy.* London: Swan Sonnenschein.

[The commercial policy of England towards her Colonies since the United States became independent, the gradual relaxations of the navigation laws, the aspiration towards commercial freedom, the relation of Canada to the Empire, and kindred topics, are discussed by an eminent Canadian Professor of Political Economy at New Brunswick.]

GIBSON (A. U.). *Natural Economy: Introduction to Political Economy.* London: Simpkin. 1900. 8vo. Pp. 142. 3s. 6d.

PRICE (L. L.). *A Short History of Commerce and Industry.* London: E. Arnold. 1900. 8vo. Pp. 252. 3s. 6d.

[Reviewed above, p. 59.]

SHAW (B., editor). *Fabianism and the Empire.* London: Richards. 1900. 8vo. Pp. 101. 1s.

[A Fabian manifesto referring to South Africa and China, a minimum wage, and other burning questions.]

STEPHEN (LESLIE). *The English Utilitarians.* London: Duckworth. New York: Putnams. 1900. 8vo. 3 vols. Pp. 1,260. 36s.

WOOD (GEORGE H.). *A Glance at Wages and Prices since the Industrial Revolution.* Manchester: Co-operative Wholesale Printing Works. 1900. Pp. 27.

[Drawing statistics of wages from a variety of sources, and making correction for the change in the value of money as ascertained by the varying price of a typical budget, the writer shows that real wages in 1900 have nearly doubled since 1840.]

AMERICAN ENGINEERING COMPETITION. Articles reprinted from the *Times.* London and New York: Harper.

BULLOCK (C. J.). *Essays on the Monetary History of the United States.* New York: Macmillan. 1900. 12mo. Pp. 292. \$1.25.

JUDSON (F. N.). *A Treatise on the Law and Practice of Taxation in Missouri.* Columbia, Mo.: E. W. Stephens. 8vo. Pp. 358.

PHILLIPS (J. B.). *Methods of Keeping the Public Money in the United States.* Ann Arbor: Public. of Mich. Polit. Sci. Assoc. 8vo. Pp. 167. \$1.

CURZON (E. DE). *Frédéric Le Play, sa Méthode, son œuvre, son esprit, d'après ses écrits et sa Correspondance.* Paris: Oudin. 1900. 12mo. Pp. 331. 3.50 fr.

[A posthumous work, by a friend of Le Play.]

LA RUSSIE À LA FIN DU 19^e SIÈCLE (Russia at the end of the 19th Century). Published by the Russian Imperial Commission at the Paris Exhibition, and edited by M. W. DE KOVALEVSKY, Russian Deputy Minister of Finance. Paris: Guillaumin et Cie. 1900. Large 8vo. Pp. xx, 989.

[Written by a staff of specialists, this compendious survey of the present state of the Russian Empire comprises an exhaustive variety of topics ranging from population, agriculture, manufactures, legislation, etc. to music, fine arts and criminality.]

LEVASSEUR (E.). Comparaison du travail à la Main et à la Machine. Paris : Chamerot and Renouard. 1900. 8vo. Pp. 106.

VANDERVELDE (E.). Le collectivisme et l'évolution industrielle. Paris : Société nouvelle de librairie. 1900. 16mo. Pp. 288. 1.50 fr.

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BONN (M. J.). Die Vorgänge am Edelmetallmarkt in den Jahren 1870-73. Stuttgart : Cotta. 1900. 8vo. Pp. 128. 3 m.

[It is argued that the suspension of bi-metallic coinage had not much to do with the fall of prices.]

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EISNER (K.). Wilhelm Liebknecht, sein Leben und Wirken. Berlin : Buchhandlung Vorwärts. 1900. 8vo. Pp. 64. 1 m.

FUKUDA (TOKUZO). Die gesellschaftliche und wirtschaftliche Entwicklung in Japan. (Münchener Volkswirtschaftliche Studien). Stuttgart : Cotta. 1900. Pp. 190.

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[A lecture given to students.]

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[Containing *inter alia* a preface by Prof. Schmoller, a paper on the Commercial Policy of the United States by G. M. Fisk, and on Landwirtschaftliche Zölle by Dr. Conrad.]

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[A remarkable discussion of remarkable theories.]

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THE ECONOMIC JOURNAL

THE JOURNAL OF

The British Economic Association

EDITED BY

F. Y. EDGEWORTH AND HENRY HIGGS

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THE ECONOMIC JOURNAL

JUNE, 1901

STATIONARY WAGE-RATES.

IN investigating the problem of changes in average wages, the student has to guard against comparing statements for different years obtained from separate sources and not substantiated by other evidence. For this reason, lists obtained from one source only, giving wages for a series of Consecutive Years, are of more use than any other statements, and, with few exceptions, these lists are only to be derived from Trade Union sources. They are, consequently, statements of the national or local standard rate. In examining such lists, the first thing to attract the attention, in some industries, is the constant variation in the local rates; and, in other industries, the most striking feature is the stationariness of wages. The evidences of this latter phenomenon and the conditions which conduce to it form an interesting economic study.

The four most usual causes of changes in wages are, (a) trade depression or a fall of prices; (b) trade expansion or a rise of prices; (c) new or increased organisation of workers; and (d) industrial legislation. The last cause acts gradually as a rule. Examination of the returns of trade unions relating to unemployment show that since 1860, trade depressions have taken place in 1862-3; 1867-9; 1877-80; 1884-7; 1892-5; and expansions, or at least favourable conditions, have prevailed in most of the other years. Roughly speaking, the conditions which generally lead to an increase of wages and those which lead to a reduction, recur in each decade, and therefore wages should change, on an

average, twice in ten years. The following table shows the frequency of wage changes in various industries, as far as can be ascertained.

Industry.	Wage-changes.	Total Years.	Average Years per Change.
Printing.....	94	1365	14.52
Building	884	4284	4.84
Engineering.....	602	2270	3.78
Cotton	39	114	2.92
Shipwrights	153	405	2.64
Sailors and Firemen	443	1005	2.27
Coal	232	125	0.54
Iron and Steel.....	65	27	0.41

If the statistics on which this table is based are representative of the industries mentioned, the average period for which each wage-rate remains unchanged varies from 14.52 years in the printing trades (compositors 15.7 years and lithographers 12.7 years) to .41 years in the iron and steel trades, and the average for the whole field of industry, if these may be taken as representative of the whole, is about four years. This is approximately the period which we should expect from the known usual length of the trade cycle of depression and expansion.

Except for sailors and firemen the wage-statistics relied on for this estimate are from trade union returns to the Labour Department or from changes in piece lists or sliding scales. The sailors' and firemen's statistics are given in the "Progress of Merchant Shipping." All are for recent years, chiefly dating from the early "seventies," and therefore cover similar periods in each case. By "total years" is meant the combined totals of years for which the rates are given, for similar wage-earners, in the same localities; and each rate is therefore strictly comparable with its predecessor.

In spite of the apparent frequency of wage changes, in all except the printing trades, many cases may be found where the rate has remained stationary for a number of years. If the average period for which a wage-rate remains unchanged is four years, cases of stationariness for upwards of ten years would be sufficiently noticeable to attract attention. Yet, there are hundreds such recorded, and the following table gives fifty-five instances of stationariness for twenty years or more.

TABLE SHOWING CASES OF STATIONARY RATES OF WAGES FOR TWENTY YEARS OR OVER.

Place and Trade, or Trade Union.	Wages.	Inclusive Period.	Years.
Warrington Ironfounders...	34/- per week	1865—85	21
Southampton „ ...	Piece rates	1860—86	26
Maidstone „ ...	33/- per week	1865—85	21
Nottingham „ ...	34/- „ „	1874—96	23
Dartford „ ...	38/- „ „	„	23
Birmingham „ ...	36/- „ „	„	23
London „ ...	38/- „ „	1874—95	22
Wolverhampton Engineers	30/- per week	1875—96	22
Bristol „ ...	32/- „ „	1860—96	37
Gloucester „ ...	26/- „ „	1880—99	20
Huddersfield „ ...	30/- „ „	1880—1900	21
Maidstone „ ...	28/- „ „	„	21
Manchester „ ...	35/- „ „	„	21
Middlesborough „ ...	30/- „ „	1880—99	20
Rugby „ ...	26/- „ „	„	20
Reading „ ...	26/- „ „	„	20
Cardiff Patternmakers	36/- „ „	1875—1900	26
Wolverhampton „	32/- „ „	1875—96	22
London Shipwrights	7/- per day	1868—93	26
„ (Provident) „	6/- „ „	1824—66	43
„ Sailmakers	5/- „ „	1836—65	30
Spanish Morocco Leather Finishers	Piece list	1850—99	50
Birmingham Horse Nail Makers	3½d. per lb.	1810—40	31
London Zincworkers	36/- to 39/- per week	1865—90	26
Maryport Boilermakers	30/- per week	1865—85	21
Norwich Masons	6½d. per hour	1875—97	23
Cork Carpenters and Joiners	5/6 per day	1876—96	21
Barrow-in-Furness Bricklayers	8½d. per hour	1875—98	24
South of Scotland Trades :			
Bootclosers	20/- per week	1810—38	29
Masons	17/- „ „	1810—30	21
Painters	17/- „ „	1810—35	26
Plasterers	21/- „ „	1810—30	21
Slaters	20/- „ „	1810—35	26
Coopers	16/- „ „	„	26
Fleshers	15/- „ „	„	26
Calenderers	15/- „ „	„	26
Sawyers	21/- „ „	„	26
Printing Trades :			
Manchester Composi- f	30/- „ „	1822—70	49
tors, 'stab.	35/- „ „	1871—1900	30
Liverp'l Compositors, 'stab.	30/- „ „	1837—64	28
Glasgow „ „	25/- „ „	1836—66	31
Edinburgh „ „	25/- „ „	1846—66	21
Dublin „ „	30/- „ „	1851—71	21
Edinburgh, piece rates f	3½d.	1785—1804	20
per 1,000.....	4½d.	1805—61	57
Dublin, piece rates per }	5d.	1829—61	33
1,000.....			
Glasgow, piece rates per }	4½d.	1815—61	47
1,000.....			

TABLE SHOWING CASES OF STATIONARY RATES OF WAGES FOR TWENTY YEARS OR OVER—(continued.)

Place and Trade, or Trade Union.	Wages.	Inclusive Period.	Years.
Sheffield, Night News, 'stab.	36/- per week	1873—1900	28
London Bookbinders.....	42/- max. per week	1856—90	35
„ Compositors, 'stab.	32/- min. „ „	1866—90	26
„ Compositors, 'stab.	33/- „ „	1820—66	41
„ Compositors, piece rate per 1,000....	36/- „ „	1867—90	24
London Compositors, Night News, galley....	6d.	1810—60	51
London Compositors, Day News, galley.....	3/10	1810—94	85
	3/7	1810—94	85

Here we find 25 cases of stationariness for 20 to 25 years; 21-cases for 25 to 40 years; and 9 cases for over 40 years. At the first glance it seems unbelievable that bodies of organised wage-earners would remain so long without obtaining an advance, or that employers would continue to pay the same rate, not through one, but through two, three, and even eight or nine recurring periods of trade depression. Some of these records may be doubtful; for instance those of Symons relating to the South of Scotland trades, but, as far as our knowledge goes, the rest are perfectly reliable, being what they stand for, standard rates. London is well represented by eight different sets of workmen, and, in addition, the Amal. Socy. of Engineers stated in one of their publications, issued during the recent lockout, that the London rate for their members had remained unchanged for twenty-five years.

The important questions, for the statistician constructing a wage index-number, are: "Were these wages actually paid during these periods?" and, if so, "How far are they representative of average earnings in a full week?" In the case of the Bristol engineers, the minute book attests the accuracy of the record here given, but the times of depression, as, for instance, 1879 or 1886, although the local officers of the Society did not officially acknowledge it, it was known,¹ that many members were accepting one, two, or three shillings per week less than the standard, and it is probable that this saved the Society from

¹ This was stated to the present writer by a local Trade Union official, and that members of Trade Unions do accept lower wages than the local standard rate during depressions may be seen in many of the replies to the Trade Depression Commission Circulars, 1886.

a general reduction throughout the district. We cannot safely assume, therefore, where the rate mentioned is for day workers, that it was universally maintained throughout the district named. In the case of piece lists it is more probable that the rate would be maintained, but a variation in average earnings would arise through short time, or slackness.

In any case, the most that can be claimed for the standard rate is that it represents average earnings *in a normal week of a normal year*.

We have yet to discover the reasons for this nominal stationariness of wages, and the most that can be said seems to be that in the cases given in the table, such a diversity of local circumstances kept the several rates stable that no general reason may be discovered. It is, however, probable that where the trade union is strong in a district, it may succeed in forcing wages up very high when local circumstances permit, and, fearing the reduction which would be expected when these local circumstances have passed away, uses its energies solely to guard the advantage obtained, by regulating as far as possible the supply of labour.

In the case of the Spanish morocco leather finishers, improved methods of production have been introduced which would tend to increase average earnings, and the work of the Union (which has not ordered a strike for fifty years)¹ has been to keep the standard list unchanged, knowing that, if they were successful in this, their position would be improved with each improvement in the methods of production.²

Lastly, stationariness may be partly explained by the increased purchasing power of wages. In nearly every case the wages of the time workers mentioned in the table were above the average rate for workmen of a similar grade of skill in the same locality at the commencement of the stationary period, and it is conceivable that under such circumstances a fall in the cost of living would result in the standard wage remaining unchanged. But the beneficial effects of a fall of prices is felt alike (in varying degrees) by the well-paid and the ill-paid, and if one requires an additional advance in times of expansion, why not the other?

All that we definitely learn from our inquiry is that local

¹ Webb, *Industrial Democracy*.

² Cotton operatives often go over long periods without a general change in the percentage from list prices, but their wages are said to be continually rising through "speeding up" the machines.

influences may operate to keep a standard wage stationary for many years, but that we have no guarantee that average earnings per week or per year have remained unchanged, and further that wage index-numbers based on such statements do not represent actual changes in average earnings unless reference is made to the percentage of workers unemployed. We also find that greater security against reductions of wages exists in trades producing for home consumption than exists in the export trades, and that the producers of raw material are much more liable to fluctuations of wages than other classes of workmen.

GEORGE H. WOOD

THE FUTURE OF THE INCOME TAX.

IF the careful observer of national affairs endeavours to anticipate the course along which our political history is likely to travel in the near future, he can, it would seem, hardly avoid the conclusion that finance and taxation are destined soon to become more interesting and important than they have been for 30 or 40 years. There are several reasons for so thinking. (1) The South African War has already caused the imposition of heavy additional taxation, and has temporarily disorganised the national fiscal system. (2) An army of occupation will probably be needed in the newly annexed colonies for some years after the war is ended. (3) The enlargement, reorganisation, and re-equipment of the army may be expected to add largely and permanently to the cost of our military establishments in time of peace. (4) Our navy must, it seems, still go on expanding, to keep pace with the expansion of the French, German, and Russian navies. And, finally, there remain the probability that the recent wave of industrial prosperity may not last much longer, and the likelihood that the stress of American and German competition may soon again assert itself. All this, if admitted, points its own moral.

I.

Of the many financial and fiscal matters which will soon confront Parliament and the nation, scarcely any is more important than the question of the future form and character of the income tax. Every student of British fiscal history will already know that the income tax was at first a war tax pure and simple; that it was later on reimposed for the accomplishment of large financial reforms, but still remained, in theory, a temporary or emergency tax; that, later still, it assumed a more permanent character, with low rates in normal times; and that, finally, its permanence has been firmly established and high rates have

become the rule.¹ The change of position and function has been gradual, and from some points of view not unnatural. But the change is a great one. It is one thing to submit to an obnoxious impost for a limited period to secure the attainment of some great end, and quite another to endure such a tax as a permanent institution for the ordinary and commonplace purposes of government from day to day. What would be cheerfully borne in the one case might be rightly and properly objected to in the other. This brings us to the consideration of two large questions, both of great importance. The first is, whether the ordinary revenue now obtained in normal times by means of the income tax could be more advantageously raised in some other way; and the second is, whether the income tax can be reformed or made more acceptable as a permanent tax for ordinary purposes. The former of these questions is too big to be dealt with fully here and now. But it may perhaps be said that hardly any other instrument could be found or devised which would so effectually and so justly tax the rich without burdening the poor; and that in no other way can the vast wealth represented by property and investments of all kinds be so adequately, so regularly, and so equally laid under contribution as by some such tax as the present income tax.² There is one alternative which might conceivably attain some of these ends, and yield an equally large revenue, viz., a great extension of the death duties. But these duties are open to the serious objections that they fall unequally on different properties according to the frequency or infrequency of the successions to them, and that they can be legally and successfully evaded by gifts during the lifetime of the property-owner. These objections, fortified by the further one that the death duties must often eat up a portion of the capital of the estate, are of sufficient gravity to render their further utilisation in place of the income tax undesirable. So far as the main function of the income tax is concerned, viz., the exaction of a substantial and yet moderate contribution from the annual product of realised property, the present impost is a great success. It combines theoretic perfection with a high degree of practical administrative efficiency. Nearly all the odium which attaches to it relates to that less important part of its functions which concerns the taxation of privately-conducted trades, professions, and employments. These sources only yield about one-fourth of the total product

¹ For a fuller historical sketch, see *ECONOMIC JOURNAL*, 1892, p. 697.

² For a discussion of these questions, see the article referred to in last note, and that on "A New Property Tax," *ECONOMIC JOURNAL*, v. 7, p. 607.

of the tax, or less, but involve a laborious and inquisitorial procedure, productive of much friction, some evasion, and considerable grumbling. Under these circumstances, it is not surprising that suggestions should have been made to cut out Schedule D of the income tax as an alternative to total repeal. But this crude proposition could only have been made in ignorance that, besides embracing private trades, &c., Schedule D extends to many forms of personal property which should on no account escape contribution. This subject has been referred to at some length by the present writer in previous numbers of the *ECONOMIC JOURNAL*, and it may therefore, perhaps, suffice to state here, quite shortly, the conclusions arrived at. It is believed to be quite feasible to separate the income from personal exertion from that arising from property, and to restrict the tax to the latter. Such a tax would be the most perfect property tax yet devised,¹ falling with the utmost regularity and exactness of proportion upon the income from every kind of property, and yielding a very large revenue, whilst avoiding the serious disadvantages attendant upon the use of the death duties. It would, moreover, appear to offer precisely the desired alternative to the existing income tax as an impost for the satisfaction of the every-day needs of the nation. There still remains, however, the special function of the income tax as a resource of the very highest order of utility and value for times of war and other serious emergency. This is so important as to make the retention of the income tax in its most productive form, but at a low rate in normal times, practically indispensable. By lowering the normal rate of the income tax to 2*d.* or 3*d.* in the £, the margin for expansion in time of war would be greatly enlarged. In the 1900 Budget the rise of rate for the war was only 4*d.* in the £. If the tax had previously stood at 2*d.* in the £, the margin afforded by a rate of one shilling would have been 10*d.* Furthermore, some of the evils of the income tax which relate to the non-property assessments would be minimised by the adoption of a low normal rate. The effect of the suggested changes may be roughly stated in this form: Assuming 8*d.* to be the existing normal rate, the loss occasioned by the reduction of the rate to 3*d.* could be made good by fixing the new property tax at 6*d.* in the £. Thus the remission of 5*d.* in the £ on earnings would add one penny in the £ to the taxation of property.²

¹ Fully described in *ECONOMIC JOURNAL*, v. 7, p. 610 *et seq.*

² Cf. *ECONOMIC JOURNAL*, v. 7, p. 612. Since that was written the creation of new limited companies has been very rapid, and the imposition of the suggested

II.

Turning from this question to the very closely related one of the reform or reconstruction of the tax, we are at once confronted by the suggestion for the graduation of the tax, or, as some would prefer to say, for the application of the progressive principle. When the income tax was first imposed by Pitt in 1799, all incomes exceeding £200 a year were charged at a uniform rate of two shillings in the £, those of from £60 to £200 were charged according to a lower graduated scale, and those below £60 were exempted. From 1806 to 1815 no exemption was allowed except on incomes from trades, professions, and offices received by persons having a total income of less than £50 a year, all incomes from property of every kind being charged in full. When Sir Robert Peel re-imposed the tax in 1842, after a lapse of 26 years, he charged all incomes of £150 and upwards in full, and wholly exempted those below that figure. In 1853 Mr. Gladstone charged incomes of from £100 to £150 at 5*d.* in the £, whilst those of £150 and over were taxed at 7*d.* In 1863 the method was altered. A uniform rate was imposed, but incomes of £100 and under £200 were charged on £60 less than the full amount. In 1872 the "abatement," as it was called, was enlarged to £80 and applied to incomes of from £100 to £300, and in 1876 further enlarged to £120 in respect of incomes of from £150 to £400, total exemption being then again allowed under £150. In 1894 the limit of exemption was raised to £160, incomes of £160 to £400 were allowed an abatement of £160, and those between £400 and £500 an abatement of £100. In 1898 the present highly complex arrangement was devised. Under it incomes up to £160 are wholly exempt. From £160 to £400 the abatement is £160; from £400 to £500, £150; from £500 to £600, £120; and from £600 to £700, £70. But there are provisos limiting the abatement to incomes of £500 and under in certain cases, and introducing other complexities. We thus have a not inconsiderable degree of graduation at present; but a graduated scale which stops at £700 a year is not usually described as "progressive." To justify the use of that term, the progression would in England need to continue upward to £50,000 or £100,000 a year. The cutting down of the assessments in the lower grades does not destroy the proportional character of the tax, the lower scales at the bottom being new property tax at sixpence in the £ might be expected to provide a revenue of £11,000,000.

described as "degressive," in contradistinction to the idea of an ascending scale which is implied in the term "progressive." It will, however, be seen that we are on a slippery inclined plane, and that there is no necessary finality in the figure of £700 a year. Some persons think that the abatement limit should be raised to £1,000 and others to £100,000; and there is some likelihood of our finding ourselves sliding almost unawares into a progressive income tax, as we have drifted unawares into a permanent one. The objection is, in this case, not to the principle of progression itself, nor even to its application to the income tax, if only a feasible method could be devised. But, so far, no plan has been found by which progression can be secured without destroying all that is really valuable in the existing tax. The English income tax is distinguished from the income taxes which exist in other countries by reason of the large use of the method of stoppage-at-the-source. Two-thirds of the total amount collected are not assessed directly on the ultimate payers. The process is made familiar to most people by the deduction of the tax from the dividends of railway companies and limited companies generally, as well as from rents, mortgage interest, and many other kinds of income. By charging the tax at the source of the income, wherever that is possible, evasion is reduced to a minimum, and the productiveness of the tax is enormously increased. It is a further merit of this method of assessment and collection that persons having incomes from property or investments are not required to make returns of such income or to disclose their possession of them unless they desire to claim exemption or abatement, and then only in order that the title to remission may be proved. Now, it has so far been found impossible to construct a really progressive income tax upon a stoppage-at-the source basis. In order to apply progressive rates it would be necessary to ascertain at the outset what is the aggregate amount of each taxpayer's income, and a full and complete return of every source would be needed from each contributor. Thus two of the greatest merits of the English system, which make it the admiration and envy of foreign economists, would have to be sacrificed to render the application of a real progressive scale possible. More than this, when the chief safeguard against evasion had been destroyed, the imposition of progressive rates would operate with irresistible force in inducing concealment of all income from invisible sources, and the tax would beyond all question become a mighty instrument of demoralisation. The possessors of incomes from

sources visible to the eye of the local assessor would feel the full rigour of the higher rates, whilst the millionaire investor in stocks and shares would escape with ease and safety. A progressive income tax would thus very largely defeat the main object of its existence, viz., the higher taxation of the rich, and could only with great difficulty be made to yield as large a revenue as that obtained under the existing system.¹ Even the present scale of exemption and abatement is weighted with serious drawbacks. Very large numbers of persons are placed in the position of having either to forgo the relief to which they are entitled, or to make a full disclosure and take a good deal of trouble to secure repayment of tax deducted. Many prefer to forgo the relief, and others do so in ignorance of their legal rights; and thus the Crown gets and keeps much more than its due. The department is, moreover, groaning under the enormous labour involved in the examination of perhaps a million claims a year in all, of which one-quarter involve repayments of tax.

III.

A more promising prospect of successful reform is opened up by the consideration of the question, "Should temporary and precarious incomes be taxed at the same rate as those from property and investments?" If the income tax were reduced to 2*d.* or 3*d.* in the £ in normal times, the gravity of this matter would be so much lessened as to justify its being ignored. But the probability of the continuance of high rates in the future gives the question a real importance. The grievance of the non-propertied classes—whether real or ill-founded—is an old one, and has been often discussed. It has seldom been denied that the equal taxation of the two classes of income is on its face unjust. The owner of real or personal property is not under the obligation to make provision for his own old age and for those dependent upon him which rests upon the professional classes and others in like position. He may quite properly spend the whole of his income. The professional or business man may not do this. The latter has not only to work for his income, but, when he has earned it, is not free to spend it all. Then, too, there is much force in the alternative form in which this plea is sometimes presented, viz., that whereas allowances for repairs, renewals, and depreciation are made to owners of land,

¹ See article on "A Progressive Income Tax," *ECONOMIC JOURNAL*, v. 5, p. 527

buildings, ships, machinery, and plant, no allowance whatever is made in respect of the wear and tear of the brain and tissue which constitute the corresponding capital of the professional classes and some categories of business men. The point need not be laboured, the *prima facie* injustice being generally admitted. The answers have been three in number, but one of them can no longer be urged. It used to be said that there was no hardship, because the owners of real property were refused any reduction for repairs, and the one injustice justified the other. It is amazing that such an argument should ever have been considered worthy of use by statesmen and legislators; but it was regularly brought out until 1894, when the statutory allowance of very liberal deductions for repairs of real property was conceded by Sir William Harcourt. Another reply was that no feasible scheme had been devised for giving practical effect to the wishes of those who complained of this particular hardship. This would be a perfectly valid reply, if it could be truthfully added that no feasible plan could be devised by those who administer the tax. But that would not be true, and the argument is therefore invalid. A third and frequently heard reply was used by a Committee of the House of Commons as follows:—"Your Committee also feel that it would be unjust to make any alteration in the present incidence of the income tax without, at the same time, taking into consideration the pressure of other taxation upon the various interests of the country." In other words, they upheld this and other admitted injustices until an entire readjustment of the fiscal system of the country (both local and imperial) could be carried through. This plea has been virtually abandoned, various reforms of parts of the fiscal system having been effected in disregard of it. It is now more generally regarded as good policy to effect reforms wherever possible, and thus to reform the whole structure by stages or instalments. More recently, a stronger argument has become available to the objectors to the grant of relief. Since 1894, the taxation of property by means of the death duties has become much heavier than before, and it is urged that the non-propertied classes may therefore be justly refused any reduction of their income tax. In an article which appeared in the *ECONOMIC JOURNAL* for December, 1897, the present writer calculated the aggregate income of the nation for the year 1894 to amount to £1,377,000,000, of which £475,500,000, or 34 per cent., was derived from property, £633,000,000, or 46 per cent., from manual labour wages, and the remaining 20 per cent. from the personal

earnings of the professional and business classes. Whilst, however, the greater part of the income from property belongs to persons of the income-tax-paying classes, five-sixths of the income from earnings belong to those who are below the income tax level. With the income tax at 8*d.* in the £, the proportion of all our taxation, local and imperial, which falls on property, as such, is about 30 per cent.; but a further 12 or 15 per cent. falls on the owners of property in the shape of taxes on consumption and occupancy. Thus, the bigger half of the entire taxation of the country falls on the non-property income, of which, as I have said, five-sixths fall below the level of £160 a year.¹ It would therefore appear that the non-property income of the nation is still too heavily taxed, and that the receivers of it are entitled to some further relief. But quite apart from all this, the income tax should be made defensible on its own merits, and the grosser inequalities of its incidence should, for this reason, be redressed. John Stuart Mill was of this opinion, and he recommended that a deduction of one-fourth should be allowed from the assessments of all kinds of personal earnings. This seems to be a fair proposal, and one that should be considered if the structure of the tax is not to be more seriously modified, and if high rates are to prevail generally in the future.

IV.

In addition to the matters treated of in the foregoing paragraphs, relating to the main structure of the income tax, there are some others which, although of a somewhat different order, are hardly less important, and are even more urgent. The organisation and machinery provided by the Income Tax Acts are almost wholly out of date and inadequate, and need to be completely overhauled and reconstructed. Certain portions of the legal framework have also become complex and cumbrous to a degree which may be described as dangerous to the whole fabric. Let us briefly consider these matters in their turn.

Owing to the survival until 1842 of the prehistoric fear of extortion at the hands of the Government's taxing officials, the business of the income tax was placed in the hands of local commissioners and their officers; the inspectors and surveyors of the central government having only a limited right of inspection, and a still more limited right of revision. The local commissioners

¹ See ECONOMIC JOURNAL, v. 7, p. 618 *et seq.*

are an unpaid body, and to carry out the duties imposed upon them would, in many places, now consume the whole of their time. Their officers, *i.e.*, clerks, assessors, and collectors, are not responsible to the Government nor under its control. There is, moreover, no regular supervision by the Commissioners to whom they are nominally responsible, and, from the nature of the case, none is possible. It is not surprising, therefore, that much of the work done by them displays a lack of the qualities of uniformity, precision, and intelligence which are more than ordinarily necessary in so delicate and complex a business as that of the income tax. The business has, in fact, entirely outgrown the machinery provided by the Income Tax Acts, and from sheer necessity the officers of the central government have had to take up the management of it. Although it is no part of their legal business, the bulk of the work of assessment and adjustment is performed or directed by the surveyors, acting for, and in the name of, the Commissioners. The taxpayers of to-day prefer to deal with Government officials whom they pay and can control, rather than with local unpaid bodies; and they expect the former to conduct the business efficiently. They do not know how little real power and authority these officials possess, and how difficult it often is to secure the qualities demanded in the work of a department so organised. There appears to be no longer any valid reason for the continuance of this state of things. The British taxpayer no longer fears the tax officers of the Crown, and the democratisation of our system of government has been so complete and effective as to render some of the old safeguards against extortion unnecessary and obsolete. It seems to need no arguing that there should be legislative recognition of the altered conditions, and that sufficient legal authority should be given to those who, from sheer necessity, must by hook or by crook carry on this vast and rapidly growing business. Again, it is surely time that the clerical staff of the surveyors' offices should be placed upon the regular establishment of the Civil Service. They are engaged on work of a very delicate and confidential character, and their permanent retention in the Government service would appear to be eminently desirable. Yet they are merely the servants of the surveyors, and can leave or be dismissed at a week's notice. Their pay has lately been improved, but they have no prospect of a pension, and the best of them often leave to better their position in life.

V.

Finally, it is suggested that some effort should be made to lessen the appalling complexity of the income tax laws. Those who are familiar with the large five-page yellow form served upon business and professional men each year will appreciate the statement that this only faintly indicates the bewildering mass of law and practice which lies behind it. No one ever reads that form through. For one thing, it contains greatly too much matter; and if the average business man did read it, he would probably find himself at the end much more mystified than enlightened. Although great pains have been taken to simplify that form, the complexity and cumbrousness of the legal system are such as to render any reasonable degree of simplicity at present unattainable. This is very much to be deplored, because the smooth and efficient working of the machine and the security of the revenue depend very largely indeed upon the confidence and intelligence with which the taxpayers co-operate with the department in the administration of the tax. Perhaps the most serious consequences of these evils arise in relation to the chaos of averages and no averages prescribed for the computation of returns, assessments, and adjustments under Schedules D and E. The bewilderment, irritation, and litigation occasioned by it are fast becoming a matter of grave concern to those responsible for the conduct of the income tax business of the City of London and other important commercial centres. But this matter is too important, as well as too complex, for the tail-end of an article, and must be passed by.¹ The complexities of the system of abatement have already been referred to (although not fully laid bare), and they will serve for further illustration. When Peel reimposed the tax in 1842, there were no abatements; now there are four. And when the abatement limit was last raised from £500 to £700, a cryptic proviso was inserted barring out "persons" who are not "individuals" from participation in the extension; but inferentially admitting a somewhat disputable claim made by some corporate bodies to come in as "persons" up to £500. Again, married women engaged in trades, professions, and employments on their own account are separate persons and individuals if the total income of husband and wife together does not exceed £500, and if both have incomes arising from their separate personal exertions. When

¹ A review of this subject by the present writer appeared in the *Financial Reform Almanack* for the years 1888, 1889 and 1890.

the joint aggregate income exceeds this sum, the wife ceases to be a separate person or individual, and loses her title to exemption or abatement, whilst the husband may also lose his title to abatement owing to the joint income being now regarded as owned wholly by him. A married woman possessed of an income derived solely from property or investments is still denied the distinction of being a person or individual, and her income is treated as part of that of her husband, without regard to the amount of the joint income. So also is the married woman who, although otherwise qualified, has a husband not possessed of a separate income from his own labour. In any case, the income from the investments or property of a married woman is treated as her husband's income. It is quite unnecessary to point out that all these distinctions and refinements multiply the occasions for inquiry and interference; and that such inquiry and interference are bound to be obnoxious and to involve occasional irritation and friction. The old simple rule of treating a married couple as the taxable unit in all cases should have been rigorously upheld. It is conceivable that more injustice is caused (and certainly more sense of injustice is felt) as the result of invidious distinctions than by a refusal to admit any exceptions to the broad general rule. The illustration just given of the complexity of the income tax system relates only to one corner of it, and could be matched or exceeded by examples from many other parts. But the subject is a very technical one, and need not be further pursued.

VI.

A few words more by way of summing up. Now that the permanence of the income tax is assured, and as the continuance of very high rates seems almost inevitable, the consideration of the subject of the reconstruction and reform of the tax assumes a special degree of importance and urgency. In spite of many concessions and reliefs, the tax remains the most obnoxious part of the revenue system of the country. Experience has shown where the income tax system is defective, alike in regard to its main structural outlines, its legal form and expression, and its departmental machinery. The time appears opportune for a thorough overhauling of the whole edifice, and for its rebuilding and refurnishing on a really adequate scale. The lines suggested in this paper and in previous contributions by the present writer include the creation of a new property tax on the

income tax model, to replace the income tax as a fiscal engine for the ordinary and permanent needs of the Government. This would allow of the restoration of the income tax to its proper position as a reserve of infinite value for emergencies, and make possible a return to nominal rates in normal times. Failing this reconstruction, a liberal deduction in computing the income arising from personal exertion is suggested, as called for on grounds of equity and policy. In any case the tax should be placed upon a solid permanent basis both in regard to its legal machinery and its departmental organisation.

G. H. BLUNDEN

MUNICIPAL INDUSTRIES AND THE RATEPAYER

To the economist the modern state is a real though unconscious co-operation of mutual service. Every one of us, whether in a trade or a profession, and whether he "earns a bare living" or "makes money," makes goods to sell; each man's supply of goods is his demand for the goods supplied by other men; and the income we get is the price we receive for our contribution to the great stream of wealth which flows into and through the lives of the people. In short, the wages, salaries, interest, profits, rent into which the National Income is divided, are the payments made to those who own the various factors by which the National Income is produced. It is not, however, always noticed that, among the economic organisations where the labour and capital of the community are put together to produce goods, the largest is the Government and the next largest is the City.

The democratic idea of a Government is that of a great manufacturing and distributing organisation—a committee of ourselves, which we incorporate and instruct to provide certain services to our order, such as postal services, army and navy, law and justice, public education. The goods thus produced, like the other goods produced in smaller organisations, form part of the National Income, and are reckoned as such in statistical statements, where the income of government servants appear alongside the incomes of factory owners and the like.¹ The goods thus provided we buy: some of them, such as postal service, we pay for on the ordinary principles of free sale; but the great bulk we pay for by our taxes. In either case the payments are not contributions from our capital, but sums paid out of our individual incomes for value received—part of our household expenses as much as is our butcher's bill. In another place² I have set forth the view

¹ See Sir Robt. Giffen's tables in the *Growth of Capital*, and in the writer's *Distribution of Income*.

² *The Taxation of Land Values and the Single Tax*.

that a tax is a price—in spite of the fact that the price has no direct relation either to the cost of the service or the benefit received individually, but is proportional to the income of the taxpayer: that, in short, we pay for our Government goods as we pay our doctor, or as the dissenter pays, at the plate, for his church services.

Similarly, the City is a smaller organisation, instructed by the rate-payers to provide certain local services. And the rates also are Prices; payments for value received taken out of current income. But in the method of payment there is this difference; not only that there is no indirect taxation, but that the price paid is assessed not by declared but by presumed income, rental being taken as its visible sign and measure.

The citizen and the rate-payer, however, stand in a double relation to the Government and the City. They are not only buyers of the goods which these great corporations supply, but members of these corporations. In this latter relation, the Government strikingly presents the economic features of a great Joint Stock Company, the citizens being the subscribers. It has a mortgage debt for money borrowed on capital account, which is being paid off by the sinking fund included in the £23,000,000 that form the first item in the Consolidated Fund. Deducting this, all the wealth in the country is its capital. But the capital is not paid up. It need not be, as its credit is unlimited, and as it gets in the most of its revenue before it renders its services. And its liability is unlimited, extending to our persons as well as to our fortunes. Thus, of course, this great company pays no dividends. Although the total capital of the government is the total wealth of the people, it is not "share capital," and we call the citizens subscribers, not shareholders. It is impossible to pay dividends, unless the capital is allotted.¹ A City again is a smaller joint stock company on the same model, with a mortgage debt repayable by sinking funds, with a capital uncalled, with a liability limited by Parliament in some departments, unlimited in others.

Thus the rate-payers, like the tax-payers, stand in two distinct relations to their governing body:—they are customers and they are subscribers—like shareholders of a Limited Liability Company who buy all the goods made by it, or subscribers to a mutual Insurance Company.

¹ As the functions of government extend beyond its economic ones, the voting power which controls the management is conditioned by other considerations than the purely economic. But the above at least suggests one economic reason why the voting should not be according to amount of property held.

Now it may be granted that there is no ring fence defining the services which either of these bodies may be asked to render. Not only is there no clear line which separates government from municipal services, but many of the functions now undertaken, with full consent, by both have been taken over from private enterprise within the last century—the typical cases being respectively Public Education and Police—and great bodies are continually agitating that land, railways, &c., should be similarly taken over. Moreover, many industries which are monopolised by governments and municipalities here, are private enterprises in other countries. But it is not always noticed, I think, that neither body can extend its services without bringing the tax-payers or rate-payers under certain responsibilities as subscribers of the necessary capital. It is this double relation which I propose to consider in connection with the comparatively new phenomenon of Municipal Industries, where the relations are peculiarly complex.

Instead of reviewing activities already undertaken by municipalities, let us look at the bearing of what has been said on some of the proposals now being made for the extension of municipal functions. And, to avoid the heated atmosphere of schemes generally under discussion, let us take proposals which have not yet been put forward by more than one or two municipalities.

If it be true that there is no hard and fast line of separation between municipal and private industries, there seems no *prima facie* reason why a Municipality should not extend its functions in the direction of what are properly called Industries. But these various extensions affect very various interests, and involve very various liabilities.

The sphere of a Government is comparatively definite. It generally provides services such as all civilised governments provide and have provided for centuries. As these services are of almost universal use; as they are monopolies; and as it is impossible to allocate the individual benefit obtained, the great bulk of them are appropriately paid for on what may be called the doctor's bill principle. But it also undertakes one great service which is distinctively and indubitably an industry, the Post Office, and it charges for the goods provided on an entirely different principle, namely, on the ordinary commercial principle of sale.

When, however, we turn to a City, we find a comparatively new body, whose functions have never been defined. We find it

rendering a great mass of common services, and appropriately charging for them on the doctor's bill principle. But we also find it ambitious of entering on other more or less sectional undertakings and industries, which would be quite appropriately paid for on the principle of the penny stamp. In short, what is the small field in government provision promises to be the large field in municipal provision. We find, moreover, that it entertains some idea of charging for some of these latter services, not on the principle of the penny stamp but on the principle of the doctor's bill, and this seems to me to require careful examination. That is to say, we are being asked as it were to provide a local and even sectional postal service, and charge for it by a local income tax.

To make this clear. It is obviously one thing (A) for a Municipality to start milk shops and coal depots, where we can buy our milk and coals or not buy them as we wish. It is another thing (B) for a Municipality to monopolise the telephones, so that, if we want a telephone, we must pay the Municipality's price. It is a third thing (C) for a Municipality to start public libraries, which we are not to pay for as and when we use them, but to pay whether we use them or not, and, moreover, to pay according to our ability.

(A) The Municipality may add to its functions without making a monopoly of the industry. It may, for instance, sell milk.

As regards this, it is not a valid objection that those who pay the piper should call the tune, and that a burden should not be put on the ratepayers without an unmistakable mandate from them. For the ratepayers generally do not pay the piper. The people who pay are the people who buy the milk. It is not using public money for a sectional purpose, because no capital is called up. The capital is borrowed by the Municipality from individuals, as it were on debentures. It is quite true that interest must be paid on this capital and a sinking fund established, but both interest and sinking fund come out of the price of the milk. The only thing that may be urged is that, in case of failure, it would not be possible to add to the price of municipal milk so long as it was of the same quality as and competed with the milk sold by ordinary dealers: in this case capital *would* be called up from us all in the shape of a levy. There is, besides, the danger that both the loss and the levy might be disguised by questionable bookkeeping, conscious or unconscious, and the industry be carried on. Further than this, the citizens are not interested as subscribers and ratepayers.

The next obvious consideration is that in such a case the Municipality comes into competition with a section of its own citizens, and it will generally be granted that a Municipality should not undersell. But the expression "underselling" is ambiguous. There are very good reasons why a Municipality should not undersell so as to lose money, for, as I said, in this case the loss must ultimately come upon the ratepayers in the shape of a levy, and this would be using public money for sectional purposes, and, moreover, making the ratepayer pay, not *pro rata*, but according to his income. But, it is said, a Municipality may undersell and yet not lose money, because, as a Municipality, it can borrow its capital more cheaply. Thus it uses the uncalled-capital of the ratepayers—among whom are the milk dealers—to lower its cost of production, and, in this case, it competes unfairly with a section of the ratepayers who have no such advantage. This section of the ratepayers, then, is compelled to provide a stick to break its own head. There is some force in this, but not, I think, so much as it is usually credited with. It is true as regards men with small capitals: it is more doubtful as regards those whose security is ample. And, to this extent, it is equally an argument against people with large capitals going into the milk trade at all. It is open to the suspicion of being a plea for small dealers and high prices.

But there is a way of underselling that does not necessarily express itself in loss. If members of a Municipality give their services to such an industry for nothing, and so are able to undersell without loss to the ratepayers (because they provide the service for which profits are paid in ordinary business and give away the profits in the price of the milk), then I think there is a valid objection. In this case the Municipality is favouring the milk-consuming section of the community, and hurting a section of its own citizens, the private milk dealers. It is not using public money, but it is using public men; and the contention is quite valid that the councillors were put in their position to do work for us all and not to devote themselves to the benefiting—or hurting—of one class.

The conclusion would seem to be that, in such a case, the Municipality must include ordinary profits among its costs.¹

¹ This is the conclusion arrived at by Mr. Cannan (ECONOMIC JOURNAL, March 1899) from another point of view than that of fair competition. His argument is (1) that, to insist on any surplus being applied in reduction of price of the commodity, is to encourage wasteful management by removing the check of comparison with private enterprise; so making the management less keen in their economies, and more susceptible of pressure as regards wages and salaries; and (2) that, if an

This is not in the least a contention that a Municipality should aim at making profits *in order to* relieve taxation—that is another question, as it is indirect taxation—but a plea for fairness to the private citizen with whom it competes. It may be added that, if any Municipality comprised a fair representation from all the interests and trades, such underselling would have little chance of being allowed.

But, in the case of unmonopolised industries, this need not be very much insisted on. It would no doubt be a very good lesson in democracy to see the Lord Provost and Magistrates—in their robes—selling milk across the counter: but when they do their work by deputy, employing managers and foremen and saddling them with responsibility, it does not seem that the profit they save could ever be enough to allow them to undersell the private milk dealers. The question, indeed, is not how much the milk dealers stand to lose by it, but how much the community may be expected to gain.

Some convincing reason must, of course, be given for the Municipality taking up another industry at all. There is always the preliminary question whether the time and strength of its members are not already taxed to the utmost by the functions already performed; and, after that, the question why the Municipality should take on its shoulders a business risk which private employers are willing to take on theirs. Further, granting that the members of the municipality have time and ability to take on more work, and that the risk is more than balanced by the probable gain, reason must be shown for the Municipality taking up one industry in preference to another.¹ But, in cases where

industry is undertaken at all, the only way to avoid giving a sectional benefit (that is, to the consumers of the commodity) is to make a profit and spread it over the citizens generally in reduction of rates. The consumers in this case do not lose, as they get the commodity, presumably, at the same price as they would have had to pay to private producers; and they gain just as the community gains, in the reduction of rates, due to an activity which should be exerted, if at all, for the common benefit.

¹ The reason alleged must be more than the mere necessity of the proposed provision to human life or health. The starting of a milk supply is generally advocated, for instance, on the ground of the necessity of pure milk and cheap milk for the health of the growing generation. It would require to be shown in this case that the present supply is not pure; which, again, suggests the question whether there is not a failure of supervision and inspection that might be cured by enforcement of powers already in the Municipality's hands. Further, it would require to be proved that it is the dearthness of milk which prevents the children getting enough, and not the foolishness, idleness, or carelessness of the parents. (It might be found, for instance, that mothers who made the excuse of dear milk, were giving their children dearer food because it was "handy." I have heard of a mother who answered the remonstrance of a medical man against her feeding her

it is considered that there is a failure of private enterprise to provide some article of vital importance to the community, I see nothing to urge against it—always providing that the article is not sold under cost. All that it amounts to is that the Municipality, in such a case, provides an object-lesson, and sets a standard for private dealers to adopt.

(B) The Municipality may add to its functions by taking over an industry and making it a monopoly. This it does in the case of the Tramways.

In this case also, it will be noted that we cannot object as subscribers. The Municipality is not calling up our capital, except, as before, in the case of failure. Nor can we object that we are compelled to pay for goods we do not want, for practically everybody uses the cars. If we have a complaint, it is merely that we have to pay the Municipality's price every time we use the cars. And, as a car service must always be somebody's monopoly, this is not a very valid objection.

But what is the object of a Municipality taking over and monopolising an industry? It cannot be to set an object-lesson to private makers, for the private makers are first swept out of existence. The contention must be one of three: either first, that it can do the work better or more cheaply; or, second, that the business affects too many interests to be allowed to remain in private hands; or, third, that the city should share in the profits of monopoly. To take these in order.

(1) The contention may be that the Municipality can do the work better or more cheaply. Theoretically it may, as municipal service means large production with its peculiar economies. It is the same argument as appears on the prospectuses of the large combinations of capital. On the other hand, the contention is not always borne out by the results of these combinations. They may not raise price: they do not often, as they should, reduce it. Economies, in short, do not always make for economy. It is a very plausible contention that the municipal monopoly of electricity has kept electrical provision so far behind in this country.

Apart from this, the difficulty is, that, to acquire a monopoly, a Municipality generally has to interfere with what are called "vested interests." I readily admit that the expression "vested interests"—like the expression "landowner"—carries a quite undeserved odium with it. They are, generally speaking, interests

baby with beef by "What am I to do? he won't take pork"). And, granting this, it would require to be proved that more milk could be sold for a penny without selling below cost.

that have grown up, quite legitimately, on the expectation that what the community, through law and custom, has allowed and sanctioned for long periods, it will not wantonly interfere with. But whether a Municipality should interfere with vested interests or not, is all a question of the public good—whether the interest to be acquired is greater or less than the interests to be interfered with. One thing, however, seems obvious: that the new monopoly should not punish the free private industries which preceded it. A Municipality, as a rule, has little initiative. Usually it is private individuals who lead the way, and build up the industry which it may then become desirable for the Municipality to take over. In this case, the pioneers should not be treated as persons to be bought up at the lowest price which their helpless position compels them to take, but as citizens who have deserved well of the community.

Granted this condition, I am unable to see why a Municipality should not monopolise any industry, if it can do it better or more cheaply than private enterprise.

(2) The contention may be that the industry in question affects too many interests to be a fit subject for private enterprise and private profit. This seems a valid argument, for instance, as regards any undertaking which involves control of the streets, seeing that anything which tears up the streets affects those who use the streets and affects the trade of the shops which line the streets. The streets, in fact, are property for whose making and maintenance we pay rates; and if, after this, the streets are allowed to be abused for private profit, we ratepayers have very good reason to complain. For the Municipality to take over such a business, seems to me a natural extension of recognised functions.

(3) The contention may be that a city should share in the profits of monopoly. This seems perfectly sound if the Municipality can legitimately get hold of the monopoly in its early stages. But if it allows the monopoly to grow up under its sanction without protest, and then buys it at market value, the profits of such a monopoly are not likely to be very great. If, however, it employs compulsion, and buys it under market value, and if the business is one whose shares have been freely bought and sold and are at any moment in the hands of many who have paid the full market price, this is confiscation, and probably confiscation from those who have never had any monopoly profits.

It may further be pointed out that, when monopolies are in private hands, they generally break down before very long, where-

as, when a Municipality takes over a monopoly, the monopoly is likely to be perpetuated.

(C) A Municipality may add to its functions by taking over an industry and putting the payment upon the rates. Here, I think, emerges a distinct line of cleavage. For in this case we are all interested, and interested in the two relations—as subscribers providing the capital, and as purchasers paying on the doctor's bill principle.

First, of our interest as subscribers. It should be quite clear that this is an entirely different case from those previously considered.

If the city borrows capital to start milk shops, it does not call up capital; it borrows, as I have said, on mortgage; the rate-payers have neither to pay interest nor sinking fund, for these are borne by the buyers of milk—unless in the case of a deficit. If it borrows to start a gas supply, it is the same, except that, if there is a deficit in any year, the price of gas may be raised on the consumers of gas, and no one else suffers. But, when a private undertaking is taken over by a Municipality, and the payment is put on the rates, then, although the capital is raised primarily on mortgage, yet all who pay rates pay not only the annual interest but pay back the mortgage gradually in the sinking fund. In short, in this case a part of our capital is called up, and we subscribe this levy of capital not *pro rata*, but in proportion to the size of our incomes.

Second, of our interest as purchasers. To illustrate this, take the proposal now before the Municipality of Glasgow, of Free Ferries across the Clyde. I take this proposal because of its obvious plausibility. The city is almost equally divided by the river. In the upper reaches there are many bridges, but the bridges stop where the shipping and the docks begin. Bridges are roads, and, as such, are properly put on the rates. Why not the clumsy, but the only, substitute of Ferries? There can scarcely be a stronger contention than this. Strong as it is, it will repay consideration as a typical case.

What is to be noted is, that each of us will have to pay, not on a calculation of the average number of times he has been in the habit of crossing the river, but according to his ability to pay for things in general: that is, according to his presumed income. And what deserves to be brought out in the clearest terms is that, while this is a sectional benefit, it is paid by a general burden. It is not laying a burden upon the rich for the benefit of the poor,

but upon the ratepayer, whether rich or poor, for the benefit of a class embracing rich as well as poor. The poor man who never used or never will use the ferries has now to pay according to his rental to subsidise a class. Only those who use the ferries get any value for their money, and, even in their case, it is quite indeterminate whether they pay more or less than they would have paid under the old system. Indeed, it is quite conceivable that the man who gains most by the new rate is the rich shipbuilder who has his house on one side of the river and his yard on the other.¹

Such, then, are the three groups to which any proposed extension of municipal industry belongs, and such are the considerations which must be taken into account after it has been clearly seen to which of the three it belongs. If this discussion has any value, it is only in bringing out that, according to the group to which the industry belongs, will the municipal provision affect different interests, involve different responsibilities and liabilities, and be open to different objections.

As regards the first two, the chief criticism is, not that they involve the use of public money for purposes that are more or less sectional, but that it is doubtful how far a committee can manage a business as well as private enterprise, and that the time and energies of our public men are apt to be diverted from fields where their services are more obviously wanted. As regards the third, however, not only is the capital of the ratepayers called up, and that in proportion to their ability to pay, but they are called on to pay sums varying with their income whether they get any benefit or not. This seems to me, as I say, a distinct line of cleavage. Seeing that local rates are the same in principle as Government taxes, such an extension of municipal function should have the justification of the great Government services : it

¹ It will be understood, I hope, that I take Free Ferries because they seem to bring out the particular considerations which must be weighed before putting any new municipal service on the rates. That is to say, I take them as presenting *prima facie* a sectional service. If any one likes to reply that a ferry is no more sectional than a road in some outlying district of the city, which few people ever use except the workmen of a particular factory, I should admit the argument, and rather raise the question whether a toll in the one case would not be as appropriate as a charge in the other. In municipal taxation, we do pay for many things which only sections of the inhabitants use or can use : indeed, all municipal benefits are more or less sectional. A better case to illustrate my point would be, say, an archaeological museum, put upon the rates, while the expense might be appropriately defrayed by payment at the door. The application of what has been said to the housing of the poor is a tempting subject, but must not be entered on at the end of a paper already too long.

should, in short, be a great non-measurable common benefit, on the model of the police, education, or poor rate.¹

To ask that a sectional benefit be put upon the rates, is always open to the suspicion of being an attempt to make the rich pay for the poor. Now we must distinguish between equity of taxation and charity. It is only equitable that the rich should pay more than the poor for a service which affects them both and is not measurable to either; and this is recognised both in proportional and in progressive taxation. It is not really paying more at all: it is paying approximately the same in burden or sacrifice.

But to go beyond this, is to enter on another field. It is to limit the strictly moral sphere by making charity compulsory, and, moreover, making it compulsory on men who may themselves be poorer than the class who get the benefit. It is quite illegitimate, from the point of view of taxation, to fine the rich because he is rich. The proposal could come only from those who consider the present distribution of wealth the outcome of force or fraud. It is equally illegitimate to charge a poor ratepayer for a benefit which he demonstrably does not receive: and both these are done if the payment of purely sectional services is put upon the rates. For any class to ask this for itself, is to ask for poor relief.

WILLIAM SMART

¹ It is not always noticed that, to exempt certain institutions from the rates, is to put them, in part, on the rates;—to compel the ratepayers to give a contribution proportional to their rental-income, generally without the question ever being raised whether the institution is or is not of the nature of a common benefit.

THE NEW COMPANIES ACT, 1900.¹

THE wickedness of the Company promoter is no new thing: in the wild bubble craze of 1715, one gentleman proposed to float a bubble, or company, to import jackasses from Spain, and another a company for a purpose "to be disclosed hereafter," and decamped in the evening with his pocket full of guineas: but at the same time it is the adoption of the principle of limited liability which has given the Company promoter his great opportunity. That principle is now so familiar that it is difficult to realise how modern it is—in fact, not yet fifty years old. Since 1862, when previous tentative experiments of Parliament were reconsidered and embodied in the Code Napoleon of the limited Company, there have been numerous amending Acts, but it is only within the last 6 or 7 years that public opinion, of the city prince no less than of the country parson, has demanded radical reform.

The late Lord Chief Justice brought before the public in 1898 some startling figures.² During the 7 years from 1891 to 1897, 28 millions of money was lost, 20 odd to shareholders, and 7 to creditors. These figures, though much quoted, require very considerable correction, for they are at the same time too comprehensive, and not comprehensive enough; on the one hand Lord Russell took no account of the losses made by Companies wound up voluntarily and not under the jurisdiction of the Court, and if these be added, the average *annual* loss for the 5 years ending December, 1897, works out at 12 millions of money at the least.³ On the other hand, the whole basis on which these figures of assumed loss are calculated is unsound; for much of the appa-

¹ The substance of this paper was delivered as a lecture at the London Chamber of Commerce, the President, W. Sandeman, Esq., in the Chair, on Wednesday, November 21st, 1900.

² See *Times*, 10th November, 1898.

³ Eighth General Annual Report by the Board of Trade in companies winding of 1899, p. 6; see also return of Joint Stock Companies, August 1899, pp. 326–329.

rent loss of capital on winding up is compensated by schemes of subsequent reconstruction or amalgamation.¹

The law allows, no doubt, far greater freedom in England than is possible abroad; anything, for instance, like the "simultaneous formation" usually employed in Germany, where the promoters *must* themselves take all the shares, would not be tolerated here for a moment; and many have felt there is a grave danger in sacrificing any portion of this freedom.

"Restrictive provisions which may have the effect of either curtailing the facilities for the formation of companies which bring so much business to England, or of embarrassing the administration of companies, or deterring the best class of men from becoming Directors, are not to be lightly entertained."²

In 1894 a Departmental Committee presided over by Lord Davey was appointed and reported in 1895:³ the Committee received memoranda from many Chambers of Commerce and other public bodies throughout the United Kingdom, and took evidence as to the law of companies in France, Germany, and America, and may be said to have brought within the four corners of a blue book every suggestion that the wit of man has ever heard, thought or dreamt of in connection with Company Law Reform. The committee at the end of their report submitted a draft bill of 49 clauses: this Bill was examined by a committee of the House of Lords in 1897, and two following years, and was finally introduced into Parliament by the Secretary to the Board of Trade last summer and passed into law: every clause in the Bill has been tossed to and fro a hundred times; outworks against roguery skilfully run up by Mr. Palmer one day, were swept away by the flood of Mr. Justice Buckley's caustic criticisms the next: every line of the Bill has been swamped in a flood of discussion and printers' ink: it is sad that after such a lengthy period of incubation the legislative chicken has emerged so imperfectly shaped.

The result of all this discussion has of course been a com-

¹ This the Board of Trade officials are the first to admit; see, Eighth General Annual Report, sup. cit., p. 6. How much apparent loss is so made good the Board of Trade report says it is impossible to estimate.

² Report of Lord Davey's Committee, 1895, p. vi. Evidence was produced before that committee that the paid up capital of companies in England amounted in 1894 to 1,035 millions sterling, of companies in France to 420 millions, and of German companies to 300 millions, giving a surplus to English companies over the other two countries of 315 millions.

³ The committee consisted of thirteen names, all of the highest authority in the world of commerce and law, amongst them, Lord Justice Vaughan Williams, Mr. Justice Buckley, Mr. Palmer, Mr. John Hollams, and Sir Albert Rollit.

promise, and the original 49 sections have now shrunk to 36. The discussions on the Bill revealed general agreement as to the more serious mischief to be remedied, and it is worth while to enumerate the prominent ones.

1. *The One Man Company*.—In order to secure registration with limited liability the Act of 1862 requires the signatures of seven¹ persons to the original memorandum of incorporation, each taking one share in the company, but up to the present English law has taken no heed whether those seven signatories are dummies or no; that company may be really constituted by one man who pays the first subscription for each of the other six, and so secures their signatures.²

2. *Insufficient Subscription*.—Many companies proceed to allotment, though totally insufficient capital has been subscribed. English law from 1862 up till Jan. 1, 1901, has required neither a minimum amount per each share nor a minimum amount of shares to be subscribed before the company can proceed with its business.³

¹ In Germany since 1892 limited liability partnerships—*Gesellschaften mit beschränkter Haftung* may exist. American law, of course, varies: in the State of New Jersey "three or more persons may become a corporation" (i.e. a company), Revision of 1896, Sec. 6: three also are sufficient for incorporation in the State of New York, Law of 1890, Sec. 2: Lord Justice Lindley advocated that one person should be allowed the privileges of incorporation provided he wrote *Limited* after his name.

² This is the result of the decision of the House of Lords in Aron Solomon's case in 1896. Solomon floated off his business as a leather merchant into a company consisting of himself, and his wife and daughter and four sons, from whom he received in payment £20,000 in Shares, and £10,000 in Debentures, with a floating charge over the whole business; he was managing director and could outvote the other six signatories, and by means of his debentures come in with priority in a winding up over ordinary creditors; when the inevitable winding up came the liquidator tried to get the whole set aside as futile in law and fraudulent in fact, that it was no company, but one man attempting to evade the ordinary law of bankruptcy and trade with limited liability by means of six dummies. Mr. Justice Vaughan Williams and the Court of Appeals sympathised with the liquidator, but the House of Lords held that the Act was satisfied with actual signatories whatever their motives.

³ Abroad limits are usually fixed in both cases. As to the amount of the share this was in France originally required to be at least 100 francs, but in 1893 this limit was reduced to 25 francs, so as to encourage the small investors; in Germany the lowest amount per share is usually £50, though £10 shares are allowed in exceptional cases (1895 Report, p. 15). In America, New York requires shares to be not less than five, or more than one hundred dollars (law of 1890, Sec. 2, 4.). As to amount of capital subscribed, in France by the law of 1893, the whole capital must be subscribed and one quarter paid up, and the same rule holds good in Germany. New York requires at least five hundred dollars with which to begin business (Sec. 4), and one half of the whole capital stock to be paid up within a year (Sec. 5). New Jersey requires a minimum of one thousand dollars with which to commence business (Sec. 8, iv.).

The registrar of joint stock companies quotes a curious case which illustrates the absolute absence of restraint in these respects prior to the present Act; in 1891 "The Ancient Gold Fields of Africa, Limited," was registered with a capital of £10,000, divided into 9,600,000 shares of one farthing each; the total subscribed capital according to the last return was 1½d., *i.e.*, precisely one share for each of the original seven signatories. It is obvious that a company which starts on its career with too little working capital is as much foredoomed to failure as a school without scholars.

3. *Overloading the Purchase-price.*—The law regards directors and promoters as trustees for the shareholders of the property of the company, but the difficulties of securing disclosures have always made evasions easy, and of these overloading the purchase-price was one of the commonest: in the normal course a promoter finds a flourishing industrial concern worth, say, £10,000, and decides to float it as a company for as much more as he can get; he obtains from the proprietors a contract or option to sell for £10,000; he then forms a small syndicate which is registered as a company, and purports to sell to it the contract or option at an enhanced price, say, £50,000; the syndicate next sells to the person who is to appear before the public as the vendor of the business, again, of course, with an advance; probably by this time we have got to £100,000; and lastly, the nominal vendor purports to make what is called a provisional contract with another dummy called the trustee for the company, subject to adoption by the company; by this time we are in the region of high finance, and the price may be anything up to seven figures. The promoters thus keep piling up profits on each transaction, and the so-called contract with the syndicate, with the nominal vendor, and the provisional contract with the trustee for the company are obviously not real contracts, all these persons being the nominees of the promoters.

4. *The Prospectus.*—It was generally felt that much more might be legitimately required of the prospectus than was secured by the old law; that all the material facts connected with the promotion of the company should be stated, and the directors forced to sign, so as to pin them down to legal liability for all statements in the prospectus.

5. *Registration of Debentures.*—The whole machinery of debentures (*i.e.*, generally mortgages issued by the Company of all its property) is beset with difficulty; the common course nowadays is for the new-born company to issue both shares and

debentures together, and for the vendor to take the debentures in payment and so keep his grip on the neck of the company. Take a case mentioned in the last Board of Trade Report in winding up, of the Savoy Press, Limited, where an undischarged bankrupt formed a company to purchase from himself a worthless publishing business which he had been carrying on for twelve months previously; the price was £1,500 paid to him in cash, shares, and debentures; the company ran for $2\frac{1}{2}$ years, incurred debts up to £600 to ordinary creditors, then the vendor came in, ousted the company, and resumed possession by his mortgage as debenture holder.

What makes a Company Debenture such a powerful instrument, is that the law allows to the company what it does not to the private trader, viz., the power to mortgage the whole undertaking as a going concern, by what is known as a *floating charge* in the Debenture. This does not affect the property of the company so long as the latter is solvent, and the company can freely deal with the property, sell, replace, and even mortgage the stock-in-trade, and so on; but directly the Debenture holder proceeds to realise his security, the charge floats no longer, but attaches with limpet-like tenacity to all the property the company has at the moment. The Courts have so favoured the floating charge that they even allow it now to attach to uncalled capital, though this result was not arrived at without a struggle,¹ and Lord Justice Romer² and others expressed strong opinions in favour of restricting floating charges so as not to attach to uncalled capital.

The Act of 1862 required each company to keep a register of mortgages, to be open to creditors and shareholders, but not to the general public. This provision, however, has long been a dead letter, for the Courts held that a mortgage was equally valid between the parties whether registered in the company register or not.

Lord Davey's Committee decided that in view of the peculiar advantages enjoyed by companies the law demanded amendment, and that a public register should be required, open to inspection

¹ In principle this extension appears to be wrong, as it may be in effect to issue shares at a discount, so often declared to be contrary to the principle of the Act: if a company's capital is £100,000 in £1 shares, that, as Mr. Justice Buckley and others were never tired of insisting, should be a reality; supposing all the shares are subscribed for, but only 10s. is called up on each share, i.e., £50,000 in all. There is then £50,000 still uncalled, and any creditor should be able to rely on that as an asset of the company; yet if debentures with a floating charge are issued, as is usual, at the same time as the shares, the £50,000 uncalled is not really an asset at all, it is mortgaged to the debenture holders and the real capital of the company is only £50,000.

² 1897 Committee Report, p. 19.

by every one, to contain those particular kinds of mortgages or charges, with regard to which companies enjoyed a privileged position.

6. Lastly, there was much discussion about the rights and duties of auditors. Auditors are not valuers,¹ and must take much information at second hand, but the shareholders are entitled to believe they have some assurance that the company is sound if the balance sheet is signed by a competent firm of auditors. Proposals were made that balance sheets should be filed annually, and be open to public inspection, but this was resisted in the interests of both public and private companies.

With the one man company, the new Act fails to deal directly, while indirectly the Act considerably strengthens its position. Doubts were suggested by a learned judge in a recent case,² whether the Certificate of Incorporation granted by the Registrar had really created the company, on the ground that some of the original seven signatures to the memorandum were not genuine. Sec. 1 of the new Act provides that the Registrar's Certificate of Incorporation shall be "conclusive evidence that all the requisitions of the Companies' Acts in respect of registration, and of matters precedent and incidental thereto, have been complied with," so that had Aron Solomon forged the other six signatures to his memorandum, his company would have been all the same duly constituted.³ Nor does the new Act contain any clauses directly defining the powers and responsibilities of directors and promoters, the clauses in the Draft Bill on the point being erased,⁴ on the ground that the existing law was probably sufficiently stringent to meet all cases of misconduct.⁵ Further, some really useful clauses defining the nature of the balance sheet and what it should contain have also been dropped, and there is no doubt that the Act is the weaker for their omission.

¹ See Lord Justice Lindley's evidence.

² Mr. Justice Kekewich, in *National Debenture Corporation* 1891, 2 ch. p. 37.

³ A clause in the original Draft Bill providing that where the certificate of incorporation had been obtained by fraud, this should be a ground of winding up, was cut out in committee.

⁴ The proposal was to require of all directors "*reasonable care and diligence*": Lord Justice Lindley was of opinion that these words only re-enacted the existing law, Lord Justice Romer thought they went beyond it.

⁵ The law, however, is undoubtedly defective in many points, e.g., a promoter must make full disclosure to the company of any profits made, that is clear; but what is to happen if he does not? The company can of course have rescission of the contract: but if this be impracticable, the company cannot recover from the promoters their illicit profit; see the very recent case of "*In re The Lady Forrest (Murchison) Goldmine*," *Law Journal*, Feb. 2, 1901, p. 54.

The principle of the new Act may be described as "publicity rather than penalty"; to give the death-blow not so much to the fraudulent promoter, as to the ignorant shareholder, in this following the conception of the late Lord Chief Justice.¹

It is of course obvious that the machinery of the Companies' Acts has been adopted by many entirely private concerns, the managers of which never intend to appeal to the public, or to let any shares go out of the hands of the very small circle of holders, but who for family or business reasons find the principle of limited liability very convenient. Such companies never *mean* to appeal to the public, and most of the evils which the Act was intended to deal with, consequently, cannot in such cases arise, while to impose hampering conditions as to publication of amount of capital or of the holdings of shares and so on, would only be to handicap them in competition with trade rivals. Many witnesses² were anxious to draw a hard and fast line between ordinary public companies and private or family concerns. The difficulty of definition, if nothing else, deterred the Committee from attempting such a division, which does to some extent exist on the Continent. But while refusing to draw any clear distinction directly, the Act does, in a half-hearted sort of way, mark a difference between the two classes. Most of the new stringent provisions are to apply only to companies "*which issue an invitation to the public to subscribe.*" These, in fact, are the keywords of the Act, and their definition and application are alike beset with difficulties. Take the definition alone. Must the invitation be a written or printed document, for it seems difficult to "issue" a verbal invitation? And what constitutes an invitation to the public? Would an invitation to all one's friends or to all the members of one's club come within the words? These are questions with which the Courts may be expected soon to be occupied, and the difficulty of applying the phrase will appear directly. Of the provisions of the Act, some apply to all companies, whether incorporated before or since January 1, 1901, and some only to those which are incorporated since that date. To take first the chief provisions applicable:—

A. To all companies.

1. In order to check the evils of proceeding to allotment with insufficient capital subscribed, which have already been alluded

¹ "When appeals are made to the public to subscribe to the capital of undertakings everything ought to be above board, no concealment, no secret profits."

² *E.g.*, Lord Justice Vaughan Williams and Mr. Sinclair.

to the act imposes two new restrictions: on every application for a share, the applicant must pay a sum not less than five per cent. of the nominal amount of the share (Sec. 4 (3)): and further, on the occasion of the first allotment by a company, the act requires for the first time a definite amount of money to be paid into the company's coffers before allotment, viz. either the whole amount of the shares offered to the public; or else, if the company has definitely fixed in its memorandum or articles, a certain amount less than the whole issue on which the directors may proceed to allotment, then that amount. If the amount subscribed does not comply with one or other of these conditions then the directors will be personally liable, after forty-eight days, to see that the money is repaid to the applicant, and any waiver by the applicant of the rules is expressly forbidden.¹

Section 4 generally deals only with share capital, and with such capital when "offered to the public for subscription." As a further precaution, every company limited by shares is within one month of allotment to file a return with the Registrar of Joint Stock Companies stating the amount of shares allotted, and the names and addresses of the allottees (Sec. 7): if any of the shares are allotted for services rendered, *e.g.* to a solicitor or vendor, and not for cash, the contract under which such shares are allotted, stating their amount and the services or consideration for which they have been given, must also be filed;² this contract will then be open to inspection by intending shareholders: this clause is in substitution for a similar and much discussed provision of the act of 1867,³ and is meant to secure the shareholders full knowledge as to the terms on which all shares have been allotted. Curiously enough this section 7 as to allotment returns, applies to all share companies, public or private, and whether they have issued an invitation to the public to subscribe or not.

2. The third and fourth evils to be dealt with were overloading the purchase price and the prospectus; and it is mainly through alterations in the law as to the latter that full disclosure is secured as to the former. The prospectus is defined as any "notice, circular, advertisement or other invitation, offering to the public for subscription or purchase any shares or debentures of a company,"—not a very satisfactory definition: it would be comparatively easy to frame a document which would secure all the purpose of a prospectus, *i.e.* advertise the company and the fact that it was doing business and prepared to sell its shares without definitely "offering" them to "the public for

¹ Section 4, (3), (4), (5).

² Section 7, 1, b.

³ Section 25.

subscription." But assuming a document within that definition, then Sections 9 and 10 apply a great variety of new rules to it: it is to be dated, signed by each director and filed with the Registrar (Sec 9). The prospectus must further contain a great many features, which it is impossible to set out in anything like detail; it must state the contents of the memorandum, the number of founder's shares, and of qualification shares for directors, the minimum subscription on which the directors may proceed to allotment, together with particulars as to shares or debentures issued for considerations other than money. Then come several provisions to prevent overloading the purchase price: the names and addresses of all vendors of property purchased by that company must appear, together with the amount payable in cash or shares to the vendor, and where there have been a *succession of vendors*,² then the amount paid to each; the amount payable for goodwill (a frequent excuse for concealed fraud) is to be set out particularly: the sum paid as commission for procuring subscriptions, for preliminary expenses, and generally anything paid to the promoter, must also be clearly specified, and finally the dates and parties to every material contract entered into during the previous three years, not being a contract made in the ordinary course of business, must be set out, together with the place where such contracts may be inspected. In the bill as originally drawn disclosure was required of "every material contract and every material fact," but on the energetic protest of Mr. Palmer and others in committee these very wide words were somewhat narrowed and defined. With regard to second or subsequent prospectuses, if issued to the outside public (and not to members only), these provisions apply with modifications. Where published in a newspaper, too, the act takes pity on the pockets of the company and permits the requirements to be somewhat reduced, *e.g.* the contents of the memorandum may be omitted (Sec. 10, § 6). The act is silent as to the penalty if these rules are disobeyed: for any one, *e.g.* a director, *wilfully* violating the act in this respect, the penalty is probably that of a misdemeanour, with two years' imprisonment under Section 28; and any purchaser of shares, injured by noncompliance, will have an action for damages against the person liable, though he probably will not be able to secure rescission of his contract with the company.¹ But it is specially provided that a director can escape liability by showing that he was not aware of the

¹ Cf. for similar difficulty, Companies' Act, 1837, Section 38, now repealed by Section 33 of the 1900 Act.

facts, which should have been disclosed and were not (Sec. 10, § 7.) The act supplements, it does not abrogate, the liability of the company or directors under the old law. Owing to the definition of a prospectus the new rules can only apply to companies which appeal to the public.

3. The fifth difficulty mentioned above was the insufficient registration of debentures : and section 14 provides that, without interfering with the old register (though that, as we saw, was practically disused), a new register is to be kept by the Registrar of Joint Stock Companies, open to public inspection (Sec. 14, § 8); and a copy of the new register is also to be kept at the companies' offices : in this register must be inserted (not all mortgages, note, nor even all debentures), but (a) *any mortgage or charge to secure debentures* : this refers to the usual covering deed to secure debentures, but would probably also include the registration of debentures containing charges in themselves and unaccompanied by any covering deed : (b) *a mortgage or charge on uncalled capital* : the act does not go so far as Lord Justice Romer proposed and abolish such mortgages altogether : (c) *a mortgage or charge created or evidenced by an instrument which if executed by an individual would be a bill of sale* : it is impossible here to venture into the quagmire of the Bills of Sale Acts, but the general result of this clause is that every mortgage or charge of "personal chattels" as defined by those acts must be registered, if the mortgage or charge is such as to give the mortgagee or chargee the power to take possession of the chattels : "personal chattels" under the Bills of Sale Acts do not include stocks and shares : this subsection will not therefore compel mortgages by deposit of shares with a bank to be registered : (d) *a floating charge on the whole undertaking or property of the company*.

The old law, as we saw, rendered the old register useless by allowing validity to mortgages though not registered : the present act closes up this hole of escape by providing that in the above four cases the mortgage or charge unless registered within twenty-one days shall be void as against liquidators and creditors.

4. The last difficulty mentioned was the definition of the duties of the *auditor*. The provisions of the original bill on the subject have been much cut down, at the same time Sections 21, 22, 23 are useful, and a great improvement on the old law. Every company, whether public or private, whether appealing to the world for subscriptions or not, must have an auditor, properly remunerated : if an auditor is not appointed at the annual general meeting the Board of Trade may themselves appoint (Sec. 21) : when

appointed the auditors are to have full right of access to the company's books and the right to demand all necessary information: they are to sign the balance sheet and to add a certificate definitely stating whether their requirements as auditors have been complied with, and also whether in their view the balance sheet exhibits a true and correct view of the state of the company's affairs. It is curious to note that the act does not in terms say there is to be a balance sheet, only that the auditor is to sign it, presumably if there is one: it is very doubtful if the courts will treat this as impliedly requiring a balance sheet in every case.

1. With regard to regulations applicable only to companies incorporated since January 1, 1901, there are new rules laid down as to directors' qualification shares; the act does not insist on such a qualification, but says that, where the articles of the company require it, in order to avoid difficulties which arose, under the existing law, either the director must sign the memorandum for the amount of these shares or (if not an original director) sign and file with the Registrar a definite contract to take the proper number of shares from the company and pay for them (Sec. 2, ii); the section does not say explicitly with whom the contract is to be entered into, whether with the company or not. In any case these requirements are only necessary in the case of companies which "issue an invitation to the public to subscribe" a phrase which again causes difficulty. What is to happen if a company, established on a private basis, and so managed for two years, then requires more capital and appeals to the public? Will the original appointment of directors become void because these rules were not observed? The act gives no answer to the question though the Courts will probably soon be called on to do so.

2. As already mentioned, the idea of a double registration (preliminary and final), of a company, common on the Continent, has not met with favour here, and Lord Davey's Committee reported against it. At the same time the act indirectly does adopt something of the sort by enacting in Section 6, that no company shall in future "commence business" until certain things have been done. This requirement will in no way affect the registration, but, unless and until the requirements of the section are complied with, the company though registered and in existence will be in suspense; it cannot make binding contracts nor borrow money. The preliminaries which must be complied with before business may be commenced, are (i) the proper amount of shares must have been allotted (*i.e.* either the whole

amount offered or the proportion required by the articles, Sec. 4) ; (ii) the directors must have paid a required proportion of their qualification shares ; and, (iii) the secretary must have filed a statutory declaration that these rules have been complied with. The Registrar will then issue a certificate allowing the company to commence its business. This section again only applies to companies which " issue an invitation to the public to subscribe." A private company need not get the certificate to commence ; but how are people, who wish to contract with a company, to know whether it is within the terms of this section or not ? Whether it has appealed to the public or not ? The point is important, for if it is a private company which has not gone to the public, then any person contracting with the company will be safe and the company will be bound, but otherwise, if the company has appealed to the public and not got the Registrar's certificate the company will not be bound by the contract.

3. Though these many restrictions are imposed on those companies which appeal to the public to subscribe, they are allowed one compensating privilege, viz. that in their case underwriting is in future to be legal, and the long recognised custom of the City at length receives the sanction of the Legislature, but only on these express terms, viz., that the payment of the commission and the amount of rate per cent. are authorised by the articles and disclosed by the prospectus.¹ (Section 8.)

Finally comes the question : Will the act achieve its purpose and check fraud ? That it will provide work for the courts for years to come is clear. The drafting is not good and the difficulties of interpretation, some of which have been pointed out, are numerous. But criticisms of the act go deeper than that : the provisions as to the register of mortgages, the prospectus and the duties of auditors are all useful and should give some protection to the public, but as it is proverbially easy to drive a coach and four through Acts of Parliament, it should be easy to drive one through or at any rate round some of the chief provisions of this act : there is more than one way of circumventing the " commencement of business " provision, of which much is clearly expected ; for instance the company may in its articles mention some merely trifling sum on which to proceed to allotment, or if the promoters shirk the publicity of this course, they can simply start in a very small way, with seven members, all directors, a small capital of perhaps £100, issue this all nominally to the public, and so secure

¹ This clause has already received judicial interpretation. See *Burrows v. Matabele Gold Reef, Ltd.*, *Sol. Jo.*, 1901, p. 378.

the Registrar's certificate; they could then at once launch out, increase their capital, say to £500,000 and proceed as at present.

Again, all the restrictions on companies which issue an invitation to the public can at one stroke be rendered futile: many companies domiciled near the Stock Exchange never appeal directly to the public at all; they are "baby creations," owing their birth to strong promoting parents, their shares are dealt in more or less artificially by the parent company, public quotations of the shares appear, and eventually the public rush in and buy: the effect of these clauses will probably be largely to encourage this underground process.

In a word, considering all the time spent upon it it is a pity that the act achieves so little.

MONTAGUE BARLOW

REVIEWS

Elements of Statistics. By A. L. BOWLEY. (London: P. S. King & Son. 1901.)

It is somewhat remarkable that up to the present time there should be no book on the Elements of Statistics written in the English language. England possesses several statisticians of great eminence. The Statistical Society celebrated its jubilee a good many years ago, and popular magazines often contain most admirable statistical articles. What, then, is the reason why we have no elementary text-books on the subject? Probably because elementary statistics was not until recently taught as a subject at the universities; or if a course of lectures on that subject was advertised, students were not pressed to go, and were encouraged in the belief that a little common sense could easily take the place of regular training in dealing with tables of numbers. The London School of Economics has, however, since its foundation had systematic courses of lectures on the elements of statistics, and the School therefore is entitled to share with Mr. Bowley the congratulations which are due to him for supplying a long-felt want. Without further ado it may be plainly stated that, whatever its shortcomings, which are dealt with later, this book is the best book on the Elements of Statistics written in English, French, German, or Italian.

The first chapter deals with the scope and meaning of statistics, a topic which has been debated for more than a century. Mr. Bowley does not distinguish clearly between the theory of statistics and the theory of errors of observation, and many of his statements, such as "Statistics may rightly be called the science of averages," or, "The chemist experimenting in his laboratory is like the statistician; the chemist theorising in his study is like the economist," would form a pretty subject for a three hours essay. But discussions as to the scope and meaning of science, though of great value for many purposes, are of little value in teaching us the elements of that science. Chapters II. and III. deal with the general method of statistical investigation and illustrations of that method. The population census is so important that it is right to give great attention to it, and it would have been well if Mr. Bowley had given more prominence to the very important

fact that the official figures of the population at each age, and during inter-censal periods, are obtained by an elaborate process of calculation based upon assumptions of doubtful validity. A description of the work of the Labour Department occupies more than twenty pages, and might well have been omitted. The many examples of the epistolary style of a Government department are scarcely of permanent value. On the other hand, the section on the Statistics of Foreign Trade assists in making intelligible the Export and Import figures published by the Board of Trade.

With Chapter IV., which deals with Tabulation, the real business of the book begins, but tabulation depends so much upon the particular figures and so little upon general principles that it is a difficult and dull subject to discuss. In fact, it is hard to deal with it adequately until the theory of means and averages and of the distribution of figures about means has been explained. Mr. Bowley feels this, and uses words such as median and quartile, referring the reader to a later page for their meaning; but this procedure is rather confusing, and when one looks on to page 124 to find the definition of the median we find the following passage: "The median with its dependents, the quartile, decile and percentile, has already been used on page 92. Arrange the items of the group in ascending order of magnitude; the item half way up the list is the median; those one-quarter and three-quarters up are the quartiles; those one, two, . . . nine-tenths up are the deciles; those one, two, . . . ninety-nine hundredths up are the percentiles. The median is the most useful of the averages." This is not a very clear definition of the median. It is easy to see from the instances given what the median means, but all statistical terms should be clearly and succinctly defined before illustrations of them are given. Averages form the subject of Chapter V. It is a great pity that more use was not made of Fechner's article *Ueber der Ausgangswerth der kleinsten Abweichungssumme*, which is a most valuable piece of work and too little known. After arithmetic averages, weighted averages are dealt with, but not so fully as they deserve. Professor Edgeworth's elaborate discussions of systems of weighting are in general too difficult for the elementary student to follow, but a more elementary account of the kinds of weighting which are suitable for different purposes would have been extremely valuable, and the need for weighting in some cases is obvious. On p. 112 we have the statement, "But it is at once clear that we cannot allow the commodities given to have equal influences on the result; wheat is of greater importance than sugar and meat than silver." What does importance mean in this context? That is the whole difficulty, and it should have been properly discussed. This occurs in a passage dealing with index numbers which are not defined, and on referring to Chapter IX., which deals specifically with them, we are told that "they are used to measure the change in some quantity which we cannot observe directly," and that "The general method of forming an index-number is as follows

... ;" but again no proper definition is given. No doubt it is extremely difficult to define "index-number," but it is a defect that the attempt is not made. But to return to the chapter on averages. Quetelet's average man is mentioned, but no hint is given that Quetelet's views have been attacked on the ground that the magnitudes of different parts of the body are correlated. Westergaard's illustration of the right-angled triangle (*Grundzüge*, p. 189) should have been enough to condemn Quetelet's average man to oblivion.¹ Under the heading geometric mean we are told that it was used by Jevons, but that he did not justify or explain its use. This is not strictly accurate. It is true that the section "Of the Meaning of an Average Rise of Prices" is slight and obscure, but this was criticised by Professor Laspeyres (*Jahrbuch von Nationaloekonomie*, Bd. iii., 81), and Jevons replied in an article in the *Journal of the Statistical Society* (June, 1865), in which he also discusses the harmonic mean, and gives as his reasons for adopting the geometric mean, "(1) because it lies between the other two; (2) it presents facilities for the calculation and correction of results by the continued use of logarithms, without which the inquiry could hardly be undertaken; (3) it seems likely to give in the most accurate manner such general change in prices as is due to a change on the part of gold." And Mr. Bowley seems to prefer the geometric mean, at any rate when it differs much from the arithmetic (p. 129). The statement on page 130 that "the arithmetic average, median, and mode are close together if the group is symmetrical" is open to criticism. If the group is symmetrical, and consists of an odd number of instances, do not the arithmetic average and median coincide? And cannot there be two modes equidistant from the median in a symmetrical group? However, in any concrete case this statement is justified.

Chapter VI., which contains examples of the use of averages in tabulation will be instructive to the beginner. The important idea of dispersion is introduced in this chapter, and again we find an inadequate definition. The writer states that "It is important to choose a simple measure of the dispersion of a group that can be easily appreciated and calculated," before he has explained the meaning of dispersion, which he states later is measured by half the distance between the quantities expressed as a fraction of the arithmetic averages. It would have been better to have given this definition first and then to have discussed the properties of this fraction or to have explained the idea of dispersion, and then to have shown that this fraction is a good measure of it. The chapter on graphic method, which follows, contains a slip which it is important to point out, because it is a mistake which has often caused great confusion. A table is given showing the estimated number per 1,000 of the population at and above each

¹ It must, however, be admitted that Professor Edgeworth does not altogether agree with the force of Westergaard's argument. See *Journal of the Statistical Society*, December, 1893.

age, and then the diagram which represents these is headed "numbers surviving at each age in a generation of 1,000." But this is to confuse an age distribution table with a life table, and they are by no means the same in an increasing population. Apart from this, the chapter is a very useful one, and the exposition of an erroneous use of statistics (aptly illustrated by a dispute between the *Saturday Review* and Sir Robert Giffen) is most instructive, and should prove a useful warning to amateur statisticians. In discussing the method of smoothing by averages more space should be given to showing how the period can be ascertained, and how it is changing, because a smoothing based on an erroneous measure of the period may be worse than useless. The section of this chapter on comparisons of series of figures contains a good deal of useful advice, but it is unfortunate that Mr. Bowley often refers to "fluctuations" without defining their meaning. It is particularly important to do this; partly because statisticians have experienced great difficulty in finding a measure of these when they have considered such questions as "Did the new Bourse law in Berlin diminish or increase the fluctuations in the prices of grain?" and partly also because the word "fluctuation" has a definite technical meaning in statistical language. In the section on periodic figures it should be stated how the total number of members of the Ironfounders in each month are estimated, because if only the annual figures are available, a method of estimating the figures which causes a discontinuity at the end of each year might affect the December or January numbers of unemployed when expressed as percentage of the total number of members. The chapter on accuracy is useful because it contains part of Mr. Bowley's work (already published in the *Journal of the Statistical Society*) on the accuracy of an average, but the statement (p. 210) that "the fact that people frequently return their ages at the nearest round number causes unbiased error, and on the whole does not affect the average" is not quite true, because usually there are more persons whose age is just below a round number than just above it. Index numbers, are treated rather meagrely in Chapter X., because the scheme of the book is that special questions should not be discussed. The first part of the book ends with a chapter on interpolation which is very useful, because in most text books this subject is not adequately explained. Interpolation is continually needed by the statistician and the theory of it is very imperfectly understood. If most people realised how much it has to be used and how difficult and laborious it is they would form a better judgment of the value of estimated figures.

Part I. of the book is for beginners; very little mathematics is used; but in Part II. we have the elements of the more important branches of statistical theory which demand mathematical treatment. Mr. Bowley has very cleverly avoided the use of more than a very small amount of mathematics. In his object of making "clear the groundwork of the subject, so that it will be the easier for students to follow

modern writers on statistics," he has been successful. There will no longer be any excuse for persons of some reputation as statisticians to show themselves ignorant of modern methods. Such an introduction has been wanted for several years. To discuss it in detail would take too much space, Mr. Bowley's chief defect is that he is liable to state dogmatically what is often only a matter of opinion. For example, he adopts Dr. Venn's view of the meaning of chance, which is one that has been greatly doubted. But allowance must be made for the difficulty of the task. The student does not want a discussion of the philosophy of the theory of probability, but is content to accept any reasonable view as a basis for his deductions.

It is easy to find faults in any book on statistics. The chief fault of this one is a certain obscurity of style and looseness of writing which make it difficult to follow, but in comparison with previous books covering the same sort of ground, this book stands in the front rank. A certain amount of re-writing and a little compression would be a great improvement. But if the world is to wait for an ideal book on statistics it will have to wait a long time, in the meantime when any one wants to know of an elementary book on statistics he may safely be referred to Mr. Bowley's.

C. P. SANGER

Essays on the Monetary History of the United States. By CHARLES J. BULLOCK, Ph.D. (New York : The Macmillan Co. 1900.)

Of the three essays contained in this volume the first may be described as the general illustration of a thesis, two special examples of which are noticed with particular detail in the second and the third. The thesis is this : " All the varied currency experiments with which " the Americans " have been vexed for nearly three centuries have been, first and fundamentally, efforts to secure a cheap medium of exchange." The general illustration is furnished by a "systematic effort to supply a unitary interpretation of the leading facts in the history of American currency " ; and for this endeavour Professor Bullock claims the merit of originality, though he does not contend that the thesis itself is novel. The special examples are supplied by more detailed accounts of the paper currencies of North Carolina and New Hampshire respectively. In the first essay the author passes in review successive periods of American history, noting the various currency experiments, which were tried, and found wanting, or were discovered to involve danger or disaster. From the original wampum and barter currency, with its harassing uncertainty, and early metallic currencies of silver and gold, with fluctuations in rating, manipulated of deliberate purpose, we proceed to successive periods of paper money. Of these the " colonial issues " were only restrained by the authority of the home Ministry exerted through the medium, not always effectual, of the Governor. The " Continental paper

money," which followed, was poured forth in extravagant and reckless abundance when this moderating influence was withdrawn. The excessive issues of "State banks" succeeded, and the presentation for payment of their notes was held by common opinion to be unpatriotic, if it was not actually prohibited by force, or penalised by law. Later still, renewed recourse was had to "government paper money," for which the exigencies of the Civil War supplied an opportunity, readily seized, rather than an adequate excuse. Lastly, we come to the agitation for silver, which preceded and accompanied a recent Presidential election. Throughout this history Professor Bullock argues that two primary facts are significant. The one is "that a strong movement in favour of cheap money has existed continuously from the earliest period of colonisation." The other is "that the persistence of such an agitation has been due, more than to any other single cause, to the constant spread of settlements westward over large areas that have long remained thinly populated." "With the growth of numbers, the rise of manufacturing and commercial industries, and the increase of wealth, the desire for a cheap currency has gradually diminished; but this has no sooner taken place in the more populous states than the old phenomena have reappeared in newly settled districts, while any localities that have remained sparsely peopled and devoted chiefly to agricultural pursuits have always furnished a favourable field for the old propaganda."

The illustration of this second fact constitutes the chief value of the book. Professor Bullock brings forward a mass of evidence, statistical and other, in support of his contention; and there can be no question of the pains he has taken to collect and examine original data. The numerous references contained in the footnotes bear striking testimony to the searching character of his inquiries. The difference between the methods of banking already recognised in the older Eastern States and those followed in the South and West in the middle of the nineteenth century, the distribution of the voting power of the National Greenback Party after the Civil War, and the relative strength of the supporters of silver and gold in different districts at the Presidential election of 1896, are cited in illustration of his main argument. Nor is it *a priori* improbable. As he says, "in the United States an enterprising and resolute people has been engaged, for nearly three centuries, in occupying and developing a vast area of free land. While natural resources have abounded, each newly settled district has always experienced a lack of the capital needed to bring the soil under cultivation, to supply means of communication, and to develop manufacturing enterprises. This want might have been little felt by a less progressive people; but with us it has been a real and serious obstacle, which has been removed only by the slow growth of wealth and numbers. In order to possess a sufficient supply of metallic money, a nation must convert a portion of its capital into a stock of gold or silver coins or bullion, a process that is expensive, even under the most favourable circumstances."

But, while the desire for a cheap currency in a thinly populated country, possessing little capital, cannot be termed unnatural, Professor Bullock has only repeated a "thrice-told tale" in relating the story of the delusions and excesses into which an inconvertible paper currency may easily lead men naturally acute, and apparently sane and honest. The advantage, which may be taken by the dishonest, is no less notorious than the mischief and misery necessarily occasioned. Like dram-drinking, the issue of paper is a passion which increases with its exercise, and the return to sobriety is as difficult as it is tedious. It is accordingly again and again postponed. As we read Professor Bullock's pages we are fairly amazed at the recuperative power of America. It seems that her natural resources are so vast and so abundant that she can try with comparative impunity experiments which would be fatal to any other country. It is true indeed that in some of the earlier instances recorded in this book the communities concerned were brought to the brink of disaster, and owed their preservation to a miracle; but it remains none the less true that the States have continued such dangerous experiments to quite recent times. Professor Bullock may have committed an injustice in putting the agitation for bimetallism, even among the supporters of Mr. Bryan, on the same level as the excesses of those who have clamoured from time to time for inconvertible paper; but he is justified in his contention that the motives animating some of the more strenuous advocates have been similar in kind, if different in degree. We certainly hope, for the welfare of America, that the moral, which he draws for the future from his study of the past, may prove correct, and that the absence of fresh territory to populate may mean the removal of new temptation to rash currency experiment.

The two essays on North Carolina and North Hampshire enforce the same lesson of the subtle dangers of inconvertible paper. The pressure applied to the authorities, who have once ventured on this course, to advance further, and the perverse refusal to believe that the evil consequences resulting are due to the cause which has produced them, are exemplified in these two cases. The theme indeed is not new, and the lesson has been often taught before. But Professor Bullock has rendered a service by bringing to light the actual facts, and by arranging them in their historical order.

L. L. PRICE

Some Social and Political Pioneers of the Nineteenth Century.

By RAMSDEN BALMFORTH, author of "The New Reformation," &c. (London: Swan, Sonnenschein & Co., Ltd. 1900.)

MR. BALMFORTH'S task was in one respect not an easy one. He has had to traverse again a well-beaten ground. What with general histories of England, histories of democracy, histories of radicalism, histories of trades unionism, &c., the lives of most of the eminent men

here celebrated have been sketched, and their work has been estimated over and over again. Where so much has already been written, the author of a short book **must** needs repeat many things that are familiar and can hardly add anything absolutely new. Under these difficulties Mr. Balmforth has acquitted himself with credit; he writes pleasantly; he is enthusiastic, but not without discrimination. He is fairly catholic also, and can find a niche for Charles Kingsley beside Robert Owen, whilst William Morris agrees better with Richard Cobden in this volume than he would have done in life. Doubtless we are still too near the worthies of the nineteenth century to see them quite as they will appear in the chill light of final history. It would be easy to fill a much larger book than the one before us with the prejudices, paradoxes, and contradictions of some of the reformers whose work is here recorded. But it is more essential to find out what they actually achieved, and in a book like this it is enough to have lightly indicated, as Mr. Balmforth has done, that they had their frailties. Sometimes indeed Mr. Balmforth, like all who write the lives of the saints, has difficulties in reconciling their utterances with the now accepted doctrine of the Church. "If there is one political thinker," he observes, "who towers head and shoulders above all others in this nineteenth century, that thinker is John Stuart Mill." Mr. Balmforth thus involves himself in some embarrassment when he comes to criticise the once-famous essay on Liberty. For he himself belongs to the modern school, which does not object to State regulation, or set any great store upon individual enterprise. We read accordingly that Mill's essay "represents and defends principles and ideals which, though in a sense permanent, needed much greater insistence and support in the first half of the century than they would to-day." Now, the principles which Mill expounded in "Liberty" may be very erroneous; but if they are true, how can it be said that they need to be insisted upon less than formerly? The State control which he denounced is always growing more comprehensive; the newspaper inquisition which he would have disliked as deeply is always becoming more stringent. It is not that Mill's principles have been realised, but that the advanced party have cast aside Mill's principles. A certain bias is perceptible in Mr. Balmforth's sketch of the Chartist movement, and still more in his sketch of the growth of the trades unions. Mr. Balmforth does not indeed deny that trades unions have sometimes made mistakes. But as he delicately puts it, "these faults and errors of judgment and of policy are rapidly passing away."

F. C. MONTAGUE

Commerce and Christianity. (London: Swan, Sonnenschein & Co. 3s. 6d. net.)

THE brief preface which the anonymous author has prefixed to his work sets forth that the great need of the present time is for the precise, definite, and direct application of religious principles to commercial

affairs, and that this book has been written not only with a view to urge such application, but to "indicate the only way in which it can be made on any adequate and effective scale." The only way, in the author's opinion, is to be found in the adoption of an extreme form of State Socialism, in which the whole of trade and industry is to be carried on not for the individual profit of the tradesman or capitalist, but for the public welfare, the common good. Whatever view may be taken of this theory, the chapters in which the author explains how even the extreme forms which competition tends to take are necessarily leading in the direction of the nationalisation of the means of production, will be studied with interest. He points out how the irresistible tendency in modern industry and commerce is towards the disappearance of small undertakings and to the aggregation of the supply of any particular commodity in the hands of a few large companies, who then, to avoid their utter destruction through the pressure of cut-throat competition, amalgamate to form a trust or a monopoly. The power they can thus exercise both over the supply and the price of commodities is so immense, that the State, in self-defence, will be obliged to interfere, first by regulation, and then probably by the gradual acquisition of the business in question.

The author is particularly careful to point out that an industrial millennium is not the necessary result of the State control of industry; but he argues that once such a system is established, it only needs all the workers to be permeated with a Christian spirit for this to be attained; whereas under present competitive conditions, with certain classes of the community inevitably set in antagonism to certain other classes, even were the application of Christian principles universal, though they might modify, they could not destroy existing industrial evils.

Businesses, if they are to be carried on at all, must be made to pay; competition means that the weakest must go to the wall. The only remedy is to substitute co-operation for competition, and the author pleads with the churches to take the lead in the movement in this direction, which has already commenced, and to grasp the fact that only in this way can a remedy be found for the industrial and social evils which they constantly deplore. Enamoured of his own solution, it is only natural that the author should underrate its enormous difficulties. The unity of interest produced by every member of the community being at once a worker and a taxpayer is exceedingly slight, and the extreme difficulty of fixing the just and reasonable share of each worker with due regard for the interests of the community of consumers, is not unlikely to place the two parties in antagonism, in spite of the bond between them. In illustrating the working out of his theory with reference to the supply of bread, the author cheerfully remarks: "If you do not make a profit, the public of London will pay less for bread, and possibly more for rates." And the same system spread over the whole field of industry, would ulti-

mately result in no one paying anything for any commodity, except in the form of taxes, and would at once raise the great problem which underlies all forms of socialism, the question of population. The author, however, is not troubled on this point, because he holds the view that as the natural work of a man is to supply his own wants, whether there are thousands or millions of men can make no difference, there always must be work for all. A particular natural law relating to the increase of agricultural produce is here conveniently ignored. But even if this difficulty is put aside, how is the total disappearance of the unemployed, which the author names as one of the great blessings to spring from the new system, to be brought about? Even if all men are to be in the employ of the State, how is the flow of workers into one trade more than another to be regulated; indeed, who is the prophetic official who could possibly ascertain in advance the number of workers required? It was reported not long ago in the newspapers, that a small communistic community had broken up, owing to the fact that no one had been found willing to do the disagreeable task of "washing up" after meals. It is impossible not to feel that difficulties of this kind, but on a much more extensive scale, might well arise under the system recommended by the author of *Christianity and Commerce*. But the book is a suggestive one, and whether the theory it contains is sound or not, it should certainly arouse all who read it to the great importance of making a careful study of social problems.

C. OSBORN

Government in Switzerland. By JOHN MARTIN VINCENT, Ph.D.,
Associate Professor in the Johns Hopkins University. (New
York: The Macmillan Co. Pp. 370.)

THOUGH the literature dealing with Swiss history and institutions is extensive, the book before us forms a welcome addition to the list of works on the subject. Professor Vincent has combined a very clear account of the present state of things with a brief historical sketch of the circumstances of its growth. His book is divided into two parts, the first of which deals with cantonal, and the second with federal, institutions. Besides those treating of the organs of Government, there are interesting chapters upon education and the relations between Church and State; but it is with his account of the financial arrangements of the country that economists are primarily concerned. The broad distinction between cantonal and federal taxation is that the one is mostly direct and the other indirect. Thus, on the one hand, income and property taxes, with their various methods of progressive advance, are unknown to federal finance, while, on the other, customs duties are levied only at the national frontiers. The cantons, however, obtain some part of their revenue indirectly through salt monopolies, while the proceeds of the federal liquor monopoly are also handed over to them in shares proportioned to their respective popula-

tions. The federal revenue, again, is not entirely raised by indirect means, but receives a contribution from the military exemption tax.

There is a certain amount of paternal legislation of a kind hitherto unknown in England, such as the insistence of several cantons upon compulsory fire-insurance, and the comparatively recent introduction of compulsory insurance against sickness and accident, by the federal legislature. These points, and many others, are discussed in the work before us, in which Professor Vincent has supplied a very convenient account of Government in Switzerland.

A. C. PIGOU

Hans von Nostitz. Das Aufsteigen des Arbeiterstandes in England. Ein Beitrag zur socialen Geschichte der Gegenwart. (Jena: G. Fischer. 1900. Pp. xxiii., 808.)

THE task which Herr von Nostitz has set before himself in this volume is no slight one, for it is nothing less than to trace the internal development of the English nation, political, social, and economic, during the nineteenth century. The characteristically German thoroughness with which he has attacked it is witnessed by the list of his authorities, which alone fills nine closely printed pages. This bibliography, which is classified according to subjects under seventeen different heads, forms in itself a contribution to the study of social conditions in England, for which English students as well as German ones may be grateful, and its value is greatly enhanced by the preliminary chapter in which the author describes the nature of his authorities, and discriminates, as a rule very justly, between them with regard to their worth and authority. It is obvious, as Herr von Nostitz points out, that in covering so large a field he has been obliged to rely upon the work of others who are specialists in different departments, and his book makes but little claim in any part to originality either of matter or of treatment. It has two great merits, however. Firstly, the work of previous writers has, whenever possible, been corrected and brought up to date by reference to the most recently published official reports and statistics; and secondly, the multitude of facts which are brought under review are clearly focused, and in spite of the great compression necessary the book is thoroughly readable, and enlivened by illustrations from the author's personal observations of English life, as well as by numerous quotations from speeches and newspapers, and from both English and foreign authors.

The hope which Herr von Nostitz expresses in his very modest preface, that he may avoid both the blind admiration for all things English which used to be common in Germany, and the bitter disparagement which is the prevailing feeling towards England on the Continent at present, and depict facts as they are, is on the whole fulfilled; and his attitude of mind towards English institutions is as a rule both sympathetic and discriminating, although it is inevitable that his views should sometimes be somewhat biased or restricted by

those of the authors with whom he is best acquainted, or of the persons with whom he came into contact during his stay in England. Some inequality in the treatment of the various branches of the subject is also only to be expected, and is seldom a serious defect. The growing importance of local self-government in English social life seems, however, to be a prominent feature which Herr von Nostitz has overlooked. Although he dwells at considerable length upon the development of the parliamentary system and the share which the working classes are able to take in the central government, and also upon the appointment of working men as justices of the peace, he passes very briefly over the working class influence upon the popularly elected local governing bodies, such as the parish, district, and county councils, and the poor law and educational authorities. He also overlooks the increasing share taken by women in local government, although their interests are so often identified with those of the working classes; and in his otherwise very complete review of education in all stages, he quite omits to mention the development in the education of both girls and women which has been so marked a social feature of recent years.

There are three great lessons which Herr von Nostitz thinks may be learnt from a study of the social history of England during the nineteenth century. The first is the falsity of Marx's theory that the poor and miserable classes in a nation must under a capitalist system become ever poorer and more degraded. The rise of the working classes in England, and especially of the miners and textile workers who at the beginning of the century were living under the most unfavourable economic conditions, and are now amongst the aristocracy of labour, has shown that this need not be the case. Secondly, the progress of the English working classes cannot be attributed to any one single cause or universal panacea, but is the sum of numerous partial effects, slowly achieved along the most various lines of action, and religious, moral, educational, and hygienic influences have played their part as much as economic and political ones. The chief factors of progress may, however, be classed under three main heads. First, the great working class institutions for self-help, trade unions, friendly societies, and co-operative societies; second, the voluntary assistance given to the working classes by members of the upper classes, such as Robert Owen, Lord Shaftesbury, and the Christian Socialists, and the influence of such writers as Carlyle and Ruskin; and third, legislation and the action of public authorities. The last lesson which the author deduces from his facts is that the social progress of the working classes in England has kept pace with, but not been entirely dependent upon, their economic progress, and that although some class warfare has arisen at times, the progress as a whole has not been the victory of one class over another. For the latter fact he finds several explanations. In politics the great division between Liberals and Conservatives has not been a class distinction, men of all ranks and

classes being found on both sides, and Herr von Nostitz finds as strong a feeling of patriotism and even of loyalty to the sovereign amongst working men as amongst the upper classes. In social life a bond of sympathy between different classes is to be found on the one hand in their common observance of religious forms, and on the other in their common devotion to sport. Even Socialists in England are as a rule antagonistic neither to the State nor to religion, so that the upper classes are able to regard Socialism calmly "as what in itself it is, merely an economic system." Again, the ambition felt by the members of each class to copy the class above it takes away from the bitterness of class distinctions, and the increasing opportunities enjoyed by members of the working classes to pass over altogether into the middle classes, lead to a certain amount of fusion between the two. Herr von Nostitz concludes, however, with a note of warning. However great the progress of the working classes has been, England is an aristocratic democracy, where the Government is still in the hands of the upper classes, and it is upon their capacity to be the real leaders of the people that the future of the country depends.

A. H. BLOMEFIELD

Lohnpolitik und Lohntheorie mit besonderer Berücksichtigung des Minimallohnes. Von Dr. O. VON ZWIEDINECK-SÜDENHORST. (Leipzig: Duncker & Humblot. 1900. Pp. xiv., 410.)

Der Arbeiterschutz bei Vergebung öffentlicher Arbeiten und Lieferungen. Bericht des k. k. arbeitsstatistischen Amtes über die auf diesem Gebiete in den europäischen und überseeischen Industriestaaten unternommenen Versuche und bestehenden Vorschriften. (Wien. 1900. Pp. x., 163.)

DR. O. VON ZWIEDINECK SÜDENHORST approaches the theory of wages from an historical standpoint. He contends that the main factor in determining rates of wages in any particular trade, is not a mechanical objective law of supply and demand in the labour market, but the influence of custom; of custom which has grown up in its turn under the influence of subjective human instincts, striving sometimes unconsciously, but frequently in conscious and deliberate regulations, to control and counterbalance the effects of the law of supply and demand. Any theory of wage, therefore, must be very incomplete that does not take into account the action of such regulations, and of the prevailing policy with regard to the wages question of former ages and of the present time. In a very interesting historical sketch of the development of this policy from the second or third century, until the beginning of the nineteenth century, the author shows that whilst the principle of interfering with a free wages contract by authoritative regulations was generally recognised, this interference only took the form of restricting the rise of wages by fixing a maximum wage. The object of such restriction was firstly the protection of the consumer,

towards whom the skilled industrial worker stood in early days in the position of a privileged monopolist; secondly, the protection of trade; and thirdly, the protection of the employing class. It is in considering the second of these motives that Dr. O. von Zwiedineck-Südenhorst finds the true key to the complete reversal of this former wages policy which has taken place in modern times. "The aim of the regulation of wages is now, as it was formerly, the protection of one of the two parties to the wages contract; but then it was the purchaser of labour who was to be protected, now it is the seller; then it was the part played by wages, as one of the expenses of production, which gave importance to the regulation of wages; now it is because wages stand for income that the question of a minimum wage has entered into practical politics." In other words, the problem of the earlier legislators was purely economic, and was concerned with the production of wealth, whilst the problem before modern legislators is social, and is concerned with the distribution of wealth. It was the work of the former to insure that the development of trade, which was to bring prosperity to the whole community, should not be opposed by the interests of one class; it is the work of the latter, the author believes, to insure that in the course of this development of trade, the largest section of the community, that of the labouring classes, should not find itself face to face with a world of wealth which it has helped to create, but from which it is shut out. The change of view has been due in England mainly to the action of trade unionism, whilst on the Continent it has been largely brought about by the spread of socialistic theories and the theological teaching of the Christian-Socialists, and Dr. Otto von Zwiedineck-Südenhorst deals very fully with the rise and influence of these different movements, and with the practical results which have so far been achieved. Although the Australian Colony of Victoria is the only country at present in which an actual minimum wage has been fixed by the legislature for certain trades, irrespective of any special connection between them and the state or other public authority, it is generally admitted that when such a connection does exist some regulation of wages in favour of the wage-earners is both permissible and right. Thus the principle of fair-wages clauses in contracts undertaken by private employers for public work, is now accepted in the chief European countries, as well as throughout North America and the British Colonies; and the Official Report of the Austrian Department of Labour Statistics, published in 1900, on the protection of workers engaged on public work or contracts, provides abundant evidence as to this fact. "Even in those countries which have the longest avoided and still look askance at any attack upon free competition by the legal restriction of the hours of labour or other protective legislation for adult workers, the principle of a normal minimum wage and of normal or maximum hours of labour is recognised within the sphere of work carried out by public authorities either directly or through contractors."

A. H. BLOMEFIELD

Massachusetts Labour Legislation. An Historical and Critical Study by MARY SCOVILL WHITTELSEY, Ph.D. Philadelphia: Annals Acad. Polit. . . . Soc. 1900. Pp. 157.

ALTHOUGH the effect upon trade and industry of the legislative regulation of labour has been the subject of constant discussion, the scientific investigation of the facts has been rather neglected. Few attempts have been made to collect and weigh the whole of the evidence as to the working of any particular restriction over a period of years, though isolated instances of success or failure have been seized upon by the disputants on either side, and made to serve as a complete basis for their pre-conceived opinions. Under these circumstances, Dr. Whittelsey's careful study of the working of the labour legislation of Massachusetts is peculiarly welcome, and she is heartily to be congratulated on the care and thoroughness with which she has treated her subject.

From 1830 onwards, a variety of statutes regulating labour have been enacted in Massachusetts. The main subjects dealt with have been the employment of children, the length of the working day, the establishment of safe and sanitary conditions of work, and the regulation of the employment contract, including such points as payment of wages, fines, the employers' liability for accidents, &c. The question which Dr. Whittelsey raises is, whether these laws have been a tax upon the productive power of the State, and the answer to this question naturally centres in the working of the laws for the curtailment of the working day. The first legislative recognition of the short-hour movement was in 1874, when a ten-hour day was enacted for women and minors. Before the passage of the law, several textile mills had tried the experiment of a ten instead of an eleven-hour day, but had abandoned it after twenty-one months on account of the reduced production. The Atlantic Mills were an exception, furnishing statistics to show that after a period of loss, the production under the ten-hour system was equal to what it had been with the longer working day.

Owing to defects in the drawing up of the law of 1874, it was some years before it became operative in the State as a whole, and the reports of the Inspectors furnish some evidence to show that where the law was complied with, the Massachusetts mills were at a disadvantage compared with those in neighbouring States. In 1892, hours were further shortened, being reduced to fifty-eight weekly; and the evidence of the consequent loss in production is more definite and abundant. The Everett Mills, which had similar plants both in Massachusetts and Maine, found that the latter working eleven and a half hours a day could earn a dividend when the former, working ten hours, were compelled to re-organise. A Rhode Island mill with 2,000 looms, could produce 20,000 yards more printed cloth in a sixty hour week than a Massachusetts mill in a fifty-eight hour week. Southern mills were paying dividends when northern mills were losing.

Though there is little statistical evidence to rebut these figures, yet

when an attempt was made in 1879 to repeal the ten-hour law, it appeared to find little support in many of the largest centres of industry. There have also been one or two instances of a voluntary reduction in hours at certain mills. Dr. Whittelsey's conclusion is that in Massachusetts the weight of the evidence goes to show that this legislation has been a tax upon production.

With reference to the argument that the efficiency of the employees is increased by shorter hours, Dr. Whittelsey considers this was undoubtedly the case when the excessive fourteen-hour day was shortened, but where the hours are already short enough to prevent physical exhaustion much increase in efficiency is impossible. "Of the several labour leaders consulted (she writes), not one has held that the ordinary factory operative succeeds in accomplishing the same amount of work in a ten-hour day or a fifty-eight hour week, as he did before in eleven hours or in the sixty-hour week."

Dr. Whittelsey goes very fully into the question whether labour legislation has operated to discourage investment in Massachusetts, more particularly in reference to the cotton industry, which is suffering seriously, especially in the production of cheap grade goods, from the competition of the Southern mills. There are not a few cases of Northern mills which have had to rely on their Southern branches to make good their losses. Natural conditions weigh against the cotton industry in Massachusetts, but Dr. Whittelsey concludes, "given, however, such weight of adverse conditions; given laws which, as we have seen, impose an appreciable tax, when every saving counts, we are driven to conclude that this legislation has tended to *hasten* the departure of the industry of producing the heavier grades of cotton from the State."

As to the effect of shorter hours on wages, there is not sufficient evidence to show any clear connection between the enactment of any particular measure and a rise or fall of wages; but there can be no doubt that shorter hours have not resulted, in Massachusetts, in the absorption of the unemployed, a result which labour leaders are sometimes sanguine enough to expect under such a system.

A chapter is devoted to the results of labour legislation other than economic. These results have naturally been most important and beneficial in the case of the measures for the abolition of child labour and for the proper ventilation and sanitation of factories. The advantage of such restrictions in the interests of the whole community is indeed now generally admitted by both employers and employed. In the case of the curtailment of hours, beyond, that is, what is necessary for the maintenance of the workers in health, Dr. Whittelsey remarks on the importance of leisure to the labouring classes, if they are to improve their standard of living, and points out that the opportunities thus given in Massachusetts have not been neglected or misused. "Compare (she writes) these Massachusetts' operatives with those of other State. They stand the acknowledged leaders of their class in this country, organised, intelligent, progressive. . . . Restrictions upon

labour have brought increased social and educational opportunities within reach of operatives; have advanced the interests of good citizenship among them; have tended to raise their standard of living, with important economic consequences in broadening the home market."

CHRISTABEL OSBORN

Das Sparen, sein Wesen und seine volkswirtschaftliche Wirkung.

By Dr. CARL FREIHERR VON MANTEUFFEL. (Jena: Fischer, 1900. Conrad's *Sammlung nationalökonomischer Abhandlungen*, XXVI. Pp. 147.)

THIS book on "Saving, its nature and economic bearings," is full of agreeable disappointments. He who takes up a treatise on Saving is prepared to endure commonplaces; and he will not escape them altogether in the present volume. Students on the other side of the North Sea, appear to have more time than on this side; they expect fulness of treatment, and in consequence a writer on Saving, besides saying a little of what is new, must repeat what is as old as Nimrod and Chederlaomer.

Saving is "the increasing of means by restriction of consumption" (4). Where the increase happens without the restriction, there is no saving; and, where there is the restriction without the increase, there is no saving (15). Saving, in fact, is not the same thing as economising; a technical economising of instruments might lead to an increase of wealth, but such increase would not be caused by abstinence, and therefore would not be saving (12). In modern times acquisition of wealth by right of the first comer, and violence, is going more and more into the background; and saving is the chief if not the only means of forming wealth and capital (3, 5, § 10). Dr. Manteuffel's criticisms, in this connection, of Adam Smith, Malthus, Lassalle, Rodbertus, may be described as temperate and orthodox.

His discussion of later phases of the subject seems equally sound and perhaps more original (pp. 60 seq.), though he admits his obligations to Eugen von Bergmann's *History of Economic Theories of Crises* (1895). The most important questions are:—Can the saving which increases production increase it too fast and too much? Is it not partly or mainly responsible for industrial crises? Is it not possible to have too much capital? (66) May there not be too little consumption? In regard to the last question Dr. Manteuffel points out that saving, even if it meant hoarding, would not mean cessation of consumption. The man who hoards, when he occurs at all in our time, uses precious metals; and hoarding of them on a great scale would lead to a fall of prices by the increased value of gold and silver due to the abstraction of them by the hoarder (67). A less mischievous form of hoarding would be the investment of savings in fine buildings, furniture, and works of art (68). But, as a rule, savings go, through the banker or otherwise, into fields of productive investment.

Herkner (in the *Handwörterbuch der Staatswissenschaften*) says that "as a rule, the portions of the national income which are capitalized considerably exceed the need for capital on the part of the national economy" (69); hence loss to employers and employed, through falling prices. Manteuffel, like Böhm Bawerk, finds a sufficient refutation of this idea in the fact that interest is still paid. "The need for capital on the part of the national economy expresses itself in interest, and as long as money can be lent out at interest, the need for capital cannot have been fully satisfied" (70). The existence of interest implies that an improvement in the methods of production is still possible; and as such an improvement seems unlimited the existence of interest seems also to have no limits (75 n.). The savers save with a purpose, and, if they find no other goods to suit their purpose, they will hoard, that is to say, they will make a demand for the precious metals, with the results described (76). But between consumption of other goods and consumption of the precious metals in hoarding, there seems no alternative (79). There cannot, then, be too little consumption; what causes crises is a misconception of the market on the part of particular men of business (82, &c.); but there cannot be a state of things where everybody produces what nobody wants, for if nobody wanted anything no one would produce anything (85, &c.). It must be remembered that the savers may demand not an increased number of the ordinary articles of consumption, but improved machinery for production, or great works like railways and canals, not an increase in the mass of products, but an improvement in the means of production (95). It is the adjustment that is the difficulty, and that difficulty is due to our modern system of industry (110). Let our critics come straight to this point, and say, if they like, that modern savings multiply the opportunities of the employer to follow uncertain paths and make it more easy for him to go wrong than it was long ago (108).

J. BONAR

The English Utilitarians. By LESLIE STEPHEN. In 3 vols. Vol. I., JEREMY BENTHAM. Vol. II., JAMES MILL. Vol. III., JOHN STUART MILL. (Duckworth and Co. 1900.)

WHEN Mr. Leslie Stephen remarks that he has intentionally made more of biography and social history in the present book than would be appropriate in a history of philosophy (I., 1.), he is probably warning us not to expect in it a completion of his *History of English Thought in the Eighteenth Century* (1876). But, if we are not mistaken, the new work fulfils a hint of the old. It was written in the old (Vol. II., 125) at the end of the section on the Utilitarians that "the history of Utilitarianism as an active force belongs to the present century." Now, after many days, on the heels of the 19th century, the history in question stands accomplished in the book before us. It is a history

of the school rather than of the doctrines (p. 1). The distinction is somewhat fine if applied to most philosophies ancient or modern; but the Utilitarians are more than others anxious to be practical, and their doctrines can least bear separation from their lives. Moreover (p. 3) a man's opinions in general are determined for him by his circumstances and education. "A creed survives, as poetry or art survives, not so long as it contains apparently true statements of fact, but so long as it is congenial to the whole social state. A philosophy indeed is a poetry stated in terms of logic" (5). It is more commonly said that poetry is philosophy in terms of imagination; and Mr. Leslie Stephen would not deny that the influence is mutual. He would hardly allow in his own case, for example, that the real problem had been "how the conclusions which are agreeable to his emotions can be connected with the postulates which are congenial to his intellect" (p. 8); or, grant that his own method had been like Bentham's, "to take his politics for granted on the one side and his philosophy for granted on the other and then to prove their necessary connection" (290). Yet he leaves us with the impression that in the region of all knowledge other than physical science, and above all in the region of "common sense" such is the state of every man, himself included (pp. 8, 10, cf. 164). Common sense is "the beliefs which are in fact prevalent and congenial to existing institutions" (164).

Whether we agree or disagree with these principles, we may all be glad to have the history and biography and exposition of the three volumes. The chapters in the first volume on Political Conditions, the Industrial Spirit, Social Problems, are as pleasant reading as Macaulay; they are full of facts well chosen, cases clearly stated, and tales never marred in the telling. Matter for controversy is never wanting even in the best books. We might cavil at the description of the Slave-trading Interest as a "comparatively powerless excrescence" when we hear also of its enlisting enough parliamentary support to delay abolition for many years (Vol. I., 113, 117, 281). We should not all agree in giving to the Utilitarians the main credit for the triumph of Free Trade (II., 52).

Yet the author's admiration for the School, and especially for the three leaders that play the title *roles* in his volumes, is well-tempered with candour. Mr. Leslie Stephen's criticisms of Bentham in the first volume, and of the Utilitarians generally throughout the book, are the faithful wounds of a friend; but they certainly strike deep (*e.g.*, Vol. I., 184, 253, 270-1, 311, 312; II., 23, 33, 157-8; III., 233, 281, 294, 373). Nothing could be happier than this comment on Bentham: "If a system will work, the minutest details can be exhibited, therefore, it is inferred, an exhibition of minute detail proves that it will work" (I., 283). Mr. Leslie Stephen, with far more evidence before him than previous writers on Bentham, leaves us still uncertain as to the precise position of the Deontology. After hearing little but evil about it (I., 225, 313), we learn (*ib.*, 314) that the manuscript in University

College "seems to prove that Bentham was substantially the author" and (*ib.*, 325) that the omission of it from the collected works was simply due to the existence of large numbers of copies of the original edition. The natural conclusion seems to be that censures of the Deontology are to be rightly considered censures of Bentham and not of Bowring who edited him.

"No ethical or political doctrine can be satisfactory which does not find a place for Bentham" (I., 316). It is in the second volume (on James Mill) that Bentham's influence on Political Economy comes more into view. In accordance with our author's method the subject is considered in connection with economists rather than economic doctrines, though the doctrines are clearly stated by this onlooker who may often seem to see more of the game than the players. The stirring chapters on Malthus, Ricardo, and James Mill himself, may convince the general reader that the writings of the protagonists of economic theory were not all sterile, though the author is sometimes cruel in turning aside from their topics as hardly worth arguing (II., 232, 246, 263).

This is not the place (if there be a place) to speak much of the philosophers and men of letters who might have a grievance against Mr. Leslie Stephen if they were still living amongst us. Carlyle might have pointed out that not the Everlasting No but the Everlasting Yea was the last motto of Teufelsdröckh (III., 464, compared with *Sartor Resartus*, Bk. II., Ch. IX). He might have claimed more sympathy as belonging, like his critic, to the very select class who write seriously and yet with humour. Our author's eyes twinkle when he calls Charles Buller, the pupil of Carlyle, the only Utilitarian who was too fond of a joke (III., 30), and the writings of Cornewall Lewis "as dry as the most thorough-going Utilitarian could desire" (III., 334). It is not mere nibbling to say that the political "recantation" of Mackintosh should not be mentioned without allusion to the recantation of the recantation (*Life of Mackintosh*, I., 128-136, Macvey Napier, *Select Corresp.* (1st series) 164), or that the neat proof of the essential accordance of Adam Smith's ethics with his economics (I., 134) might have been supplemented by a reference to his treatment of Justice, based almost entirely on utility.

But the book demands our gratitude. Every volume is full of the learning and wisdom which a generation of men have been accustomed to expect from the author. The account of John Stuart Mill may possibly excite the most attention, for the place of Mill in the temple of fame is not yet decided, and we have here a survey of the man and his achievements, powers, aspirations, and shortcomings, written by one who had unrivalled means of knowing the truth about the facts and (though it is a strong expression) the truth about the speculations. The parts in the earlier volumes that most recall the method and manner of the *English Thought in the Eighteenth Century* are perhaps the section on Stewart, in Vol. I. (142 seq.), on Brown,

James Mill and "Philip Beauchamp" in Vol., II. (267 *seq.*). But the whole of the second half of Vol. III. is in the old method and manner; and this makes the third volume the most characteristic, to those whose ideas of an author are fixed unalterably for them by their impressions of his earliest work.

JAMES BONAR

Trusts and the State, a Sketch of Competition. By HENRY W. MACROSTY, B.A. 8vo. Pp. 318. (London: Grant Richards. 1901.)

As the first volume of a new series, "The Fabian Series," which is to "consist of volumes dealing from the Fabian point of view with politics and economics," some interest attaches to the book written by Mr. Macrosty, apart from the subject and the matter of the book itself. A confession of disappointment in respect to it must be made. This is partly due to the title selected, the principal title at any rate. The extent to which the problem suggested by that title is treated in the book is disappointingly slight. The book reproduces a fairly familiar doctrine, held by a certain section of thinkers, that the development of economic organisation is such as points to a gradual assumption of the control, and of the direction, of industry on the part of the state. It is not necessary to criticise the historical sketch of English industry, which occupies about half the volume. It does not markedly differ from similar sketches which have appeared before, written under the influence of the same preconception. It treats with some sympathy the sad phases of the industrial growth; and the occurrence of a slight slip in one or two places, the appearance of taking some facts at second hand which might, with little trouble, have been taken at first hand, are not matters which need emphasis. On the whole, the account is accurate, and might be called satisfactory if one shared the bias of the writer.

The central idea of the book, the main connection of trusts with its matter, is the idea that the consolidation of organisation seen in the modern trust or combine is a step in the direction of facilitating the assumption by the state of the responsibility for directing the industries of the country. One encounters this idea not infrequently when the subject under discussion is the modern combine, but the writer has to confess to an inability to trace the inevitable approach to a socialistic organisation in this modern movement. The recital of the extent of state interference with industry, by such means as factory regulation on the one hand, or by municipal gas or water works or imperial dock-yards on the other, does not convince him that the actual trend is towards state socialism, or that such a development is desirable. The volume before us does not advance any new argument of a convincing nature on either of these points. That the state may properly demand from the modern trust a degree of publicity in regard to its proceedings which it would be unnecessary to impose on small private firms,

and that it ought to do so in order to guard against possible abuses, may be granted. But, that we are inevitably led to the assumption of directional responsibility by the state is not a necessary consequence. A confusion of mind seems to prevent some people from appreciating the fact that the prevention of anarchy is not the beginning of socialism. Individual freedom needs for its security some restriction of liberty, and the fact that such restriction is imposed, and is approved, does not compel us to admit the desirability of, or the tendency towards, so great a restriction of liberty as would destroy freedom. A. W. FLUX

Weltwirtschaft und Volkswirtschaft. Von Dr. HEINRICH DIETZEL. 8vo. Pp. 120+xl. (Dresden: v. Zahn und Jaensch. 1900.)

THE fifth volume of the *Jahrbuch der Gehe-Stiftung zu Dresden* comprises Professor Dietzel's disquisition with the title stated above, together with a sketch of the nature and extent of the activities of the institution, known as the Gehe-Stiftung, since it commenced operations early in 1885. Those who desire to become acquainted with the arrangements of the Dresden "School of Economic and Political Science" will find some very interesting information in the volume which bears on its back the title of Professor Dietzel's Monograph. Those details it is not proposed to summarise or discuss in this place.

The theme of the Bonn Professor is, the relative advantages to a nation of economic isolation and of intimate commercial relations with the whole world. The arguments advanced are, in the main at any rate, tolerably familiar to English students of economics. They are clearly and forcibly enunciated, and are supported by illustration from concrete facts. The frequent reference to the statements of Oldenberg gives the argument somewhat the appearance of a polemic aimed at him in particular, and at others who hold like views, to which reference is also made. The outlines of the argument are, briefly, as follows. By entering into commercial relations with other countries, a nation's productivity is increased; its wealth is augmented by increased variety or superior quality of the goods at its disposal, and by increase in their amount. An agricultural community gains by commerce with an industrial community, and conversely. But, even though two communities should each be predominantly either agricultural or industrial, yet commercial relations yield increase of total resources, since considerable variety of productive powers will be found even in such a case. Further, the inclusion in the commerce of the world is a gain, through the increase of stability which such inclusion assures to the industrial organisation of a country. On this point some effective illustrations are produced to show how erroneous is the common impression, that the influence of the world-market is incalculable and uncontrollable, and must result in greater instability than would arise in an economically independent community. The second section of the essay

deals briefly with some proof of the actual growth, in welfare and in stability of industry, which have accompanied the development of transport facilities, and the consequent increase of commercial interdependence among nations. The third and longest section is devoted to a consideration of the probability and effects of a temporary or permanent check in foreign commerce. Temporary fluctuations are inevitable, but their evil results are modified by so much the more as the commercial relations with the rest of the world are the more extensive. Should permanent reduction occur, it will not come suddenly. If the development of industry in what are now mainly agricultural and mining communities narrow the market for the products of the manufacturing nations, the resultant changes in the industrial organisation of those nations will be able to be effected gradually and without overwhelming calamity. There is no need to secure economic independence at once through protection, in order to ward off dangers from this side. But is such a permanent reduction, of markets for manufactures and of sources of supply of raw materials, probable? The opinion of Dr. Dietzel is that it is not. The best customers for England's products are her neighbours, who have the most advanced development of manufacturing industry themselves; and such a fact is quite natural in view of the natural diversity of facilities for production which different places and peoples possess and develop. The actual experience of England is repeatedly quoted to show how needless are fears that Germany will suffer from difficulties due to growth of manufacturing skill among her customers, and reduction of their surplus of exportable food and raw material. A survey of the various regions of the world where grain can be grown is made to support the conclusion that fears for the future food-supply of wheat-consuming peoples are vain. Neither as to export of manufactures nor as to import of raw products does it appear to Dr. Dietzel that a permanent falling off in foreign commerce is among the probabilities of the future. The growth of population, which has proceeded at so remarkable a rate during the past century, has been rendered possible by the growth of human powers of production. Whenever further expansion of the production of the necessaries of life shall be checked, the increase of population will be also checked. Rapid as has been the increase of population for the last two or three generations, the advance in productive powers has been even more rapid. None of the arguments for seeking to secure for a country economic independence of the rest of the world will hold good.

The insidious growth of a distrust in the system of free trade in this country, of which there are not wanting unmistakable indications, may serve as excuse for giving so full an outline of familiar doctrine. Under the form of a desire for economic self-sufficiency, the protectionist sentiment shelters itself and develops strength. The reconsideration of the grounds of their belief may be needed to strengthen the faith of some of the supporters of freedom of trade, and an exposition like that

of the volume before us, free from the technicalities which sometimes obscure the truth from those whose economic studies have been somewhat slight, would, possibly, profit many English voters, as it may be hoped that it will influence not a few German citizens. A. W. FLUX

Principii di Demografia. RUDOLFO BENINI. (Firenze: G. Barbèra.)

PROFESSOR BENINI divides his annual course of lectures at the University of Pavia into two parts, the first dealing with statistical method, the second with the science of population. The present volume contains only the second part, and is mainly occupied with a detailed account of the measurements which can be strictly included in the scope of Demography, and with a careful analysis of the Malthusian doctrines interpreted in the light of recent history. To a student approaching the subject for the first time, the earlier chapters will be of considerable use in showing the various measurements that have been, or can be, made in connection with "the Qualitative Theory of Population"; under this title Professor Benini includes anthropometrical measurements, birth, marriage, and death rates, and the influence of physical and economic environment on the constitution and growth of the population. But, except in the analysis of the structure of various nations as shown by the ages of marriage, size of the family and the average duration of life, which we suspect is the author's hobby, this treatise suffers from the defects almost inseparable from the attempt to treat in a few pages a multitude of questions, which have been the subjects of exhaustive monographs. On the one hand, the interest which these investigations have to those who study them in detail is minimised; on the other, the paucity of tables, where one country or one date has to illustrate a general distribution, gives an appearance of inconclusiveness to the figures. By collating many returns relating to similar groups general characteristics can be separated from accidental, and doubtless the author has himself gone through this process; but the reader has to trust to authority rather than to argument. To take a statement at random (p. 59), we are shown by tables quoted from Baines's "Cotton" that in 1832 the age period, 31—36, was that in which men's wages were the greatest in Lancashire and Glasgow; and this is the only evidence on the wage side offered to support the conclusion that for manual workers the age of strongest physical development coincides with that of greatest wage-earning power; it is true that the author says that the statement needs no proof. The fault of these apparently hasty generalisations is not on the surface, and is common to a large section of demographical work. When a table is given, say of the marriage rates of different sects in a city, or the death rates in various occupations, there is no analysis to show what difference is significant and what difference may be accidental; when the numbers have been worked out to the second decimal

place and neatly tabulated, they are treated as gospel, and conclusions based on minute differences are held to be established. The criterion of significance is nowhere discussed in this volume and no caution is given of its necessity. Consequently the arguments are not conclusive, though the tables are suggestive. This criticism applies especially to Professor Benini's index of attraction between one class and another, which depends on residuals and can hardly be correct beyond the first significant figure. A first reading of his book leaves one with the impression that his tables often lead only to such self-evident propositions as that the percentage of agriculturists in great towns is small, and that mountaineers have capacious lungs, while his more interesting conclusions are based on deductive reasoning to which the tables contribute little. Perhaps a protest should also be entered against the use of mathematical formulæ without analysis of their logical use or of the art of their application.

It may be that these cautions are given in Professor Benini's first volume, and apart from such defects there is much of importance to be found here. There is only space to state the main conclusions. The growing facilities for intercourse due to improved transport, to aggregation in cities, and to the weakening of religious, racial, and class antipathies, tend to lessen the differences between individuals and to produce a population more uniform and coherent (pp. 220—3). "The solution of the Malthusian problem will arrive without compulsion, by means of acts voluntary and isolated in origin, which become general through imitation, and by repetition become quasi-instinctive. . . . The mean age of marriage, the proportion who remain in celibacy, the measure of fecundity, &c., converge slowly to a definite limit, at which natality and mortality are balanced, and the population filling the habitable region of the earth remains stationary without effort" (p. 286).

A. L. BOWLEY

English Local Government. (Darstellung der inneren Verwaltung Englands in ihrer geschichtlichen Entwicklung und in ihrer gegenwärtigen Gestalt.) Von Dr. JOSEF REDLICH. (Leipzig: Duncker und Humblot. 1901.)

GNEIST excepted I cannot recall any competent writer trained in philosophy, history, and law, who has set out to describe the English system of local government and to trace it through centuries of growth down to its present form. An Englishman seldom theorises about his own institutions, they are too healthy and vigorous to require medical treatment; and this may account for the feeble and sickly condition of our political philosophy. For as the best doctor is likely to be the man who has had experience of the greatest variety of diseases, so should he be the most apt critic and surveyor of political institutions whose own country provides him with the richest experience. It can hardly be doubted that Dr. Redlich's natural abilities have been trained

and stimulated by the politics of his native country. Austria is a perfect museum as well as a modern laboratory of provincial constitutions, imperial controls, and administrative failures. The principles of individual liberty and home rule have been recognised more liberally in Austria than in any large country of continental Europe. And Dr. Redlich belongs to a new school of Austrian politics which would find a solution for animosities of race and diversities of sentiment within the Austrian empire by a double dose of democracy and federalism.

Dr. Redlich's book consisting of more than 800 pages is divided into three parts. The first, which occupies a little more than a quarter of the whole, gives a historical view of the whole subject. In seventy pages Dr. Redlich describes the development of the English "Verwaltungsorganisation" down to the end of the eighteenth century. In rather less space he packs a sympathetic and spirited account of the growth of English radicalism, philosophic and popular. Then we have two chapters on middle class reforms from the Poor Law Act of 1834, and the Municipal Corporations Act of 1835, to the Public Health legislation, which began in 1848, and was consolidated in the great Act of 1875. The last chapter of the first part explains how, as the logical result of the extension of the franchise in 1867 and 1885, local government was thoroughly democratised, by the County Councils Act of 1888 and again by the Parish Councils Act of 1894. Dr. Redlich's second part (pp. 249—738) is descriptive of the laws as they stand and the actual administration. Municipalities, county councils, district councils, parish councils, boards of guardians, and school boards are surveyed in turn. Their characteristics are noted, their virtues and vices exposed. And finally, the description, like the system, is crowned and completed by an account (1) of the administrative and supervisory work of the Local Government Board and of the other central departments which have to do with local government, and (2) of the peculiar position occupied by the English parliament and English law courts in our system of local government. No writer has pointed out with such convincing brilliancy the very large share of administrative control which parliament itself exercises directly over local government by means of private bill legislation. Costly as it is, private bill legislation works on the whole extremely well. It gives an elasticity to our local government which most foreign systems lack. It gives central control without red tape.

In his third and last part Dr. Redlich makes a grand onslaught upon Gneist, whose ridiculous theory that English local government has been gradually decaying and degenerating since the Reform Bill still holds the field in Germany. We imagine that Gneist's dogmas will now cease to be regarded as historical truths. That they have lasted so long is a remarkable testimony to the genius of Gneist, and to the usefulness of his views to Prussian administrators. But before they disappear it may be well to point out in England that self-government to Gneist meant government by unpaid local justices of the peace as

distinguished from government by the paid agents of central government. In fact self-government to the old German writer meant the despotism of a local squire—a queer ideal not widely held now even in Prussia.

It would not be difficult in a work of such magnitude to find and register a certain number of trivial errors due in some cases to the work of printers unfamiliar with English. Here and there a word has been mis-spelt or a statute misquoted. Dr. Redlich's incursions into our national politics and economic history are often, but not always, happy. Thus at pp. 222-223 he writes: "The depression becoming continually more acute since the middle of the (nineteenth) century still further lowered the position of the agricultural labourer which had been for ages deteriorating." As a matter of fact such agricultural depression as formed a pretext for the Agricultural Rates Acts has only existed during the last ten or fifteen years. For nearly half a century after the establishment of free trade the agricultural rent roll of England instead of being reduced rose considerably, while the poor rates (the chief burden upon the land) fell. And we may surely say, without fear of contradiction from any expert, that agricultural wages in most parts of Great Britain rose steadily in the fifties and sixties, and have continued to do so ever since—though of course it is quite true (as Porter and others have conclusively shown) that the economic condition of the English peasant was far worse at the end of the Napoleonic wars than in the fifty years preceding the war of American independence. Dr. Redlich's exposure of the evil rule of the squires (especially evil from 1770-1832) is admirable; but I think his keen sympathies with democracy make his appreciation of the middle class governments and their great reforms (1832-1868) a little less than generous. Dr. Redlich correctly appreciates the vast and almost entirely beneficent influence of Bentham; but his eulogy of the *providentielle Gestalt* of Edwin Chadwick (pp. 172-176) strikes one as a little overstrained. Yet it is doubtless true that that industrious and obstinate official did far more to improve English administration than all the romantic politicians who agitated under the leadership of Toulmin Smith for the revival of Anglo-Saxon antiquities.

Of mistakes in fact in regard to his own subject-matter I would only refer to p. 179, which gives a distinctly exaggerated impression of the amount of central control introduced by the Public Health Act of 1848: "the expenditure of the Local Board was placed under the supervision and financial control of the Central Department." Any one who reads carefully the provisions of that Act will, I am sure, agree that no effective control over the finances of the Local Board was really conferred upon the Central Administrative Authority. Even at the present time municipal councils are unhappily exempted from the scrutiny of the Local Government Board's auditors. But as this is the most serious error he has yet discovered in a large and comprehensive work a critic may be excused from relieving other members

of his tribe from the use of the microscope. He would only add that the obligations so generously expressed by Dr. Redlich in his *Vorrede* are in one instance greatly overstated.

FRANCIS W. HIRST

Grundriss von Allgemeinen Volkswirtschaftslehre. Von GUSTAV SCHMOLLER. (Leipsic. 1900.)

ANY book by Professor Schmoller would attract the interest of economic students. In this case, the subject of his labour will probably widen the circle to which he appeals, since in place of detailed historical work or of a monograph on some one matter, he gives in book form the general scheme of economic thought which has been at once the outcome and stimulus of a life of laborious study and keen thought. During thirty-five years of lecturing he has, as he tells us, more or less adhered to this scheme, a fact which, taken in connection with his great influence on his students, should quicken the attention of the readers into whose hands the present work may fall. There is much in the book to deserve the closest attention: on the one hand there is his treatment of his matter, his method that is, of approaching and resolving each question; on the other hand interest will be roused by his systematic sketch and division of the general subject-matter. To illustrate either of these points necessitates some description of the book. This consists of two parts, introduction and outline. In the introduction Professor Schmoller in the main devotes himself to two points, the growth and origin of economic society involving the relation of economics to other social considerations, and the development of economic literature as a body of scientific thought. These two matters are in close connection, and in the author's hands serve to illustrate each other. Of these introductory portions that dealing with the growth of the science and study of economics seems the more valuable in itself. It is a lucid and masterly attempt to summarise the growth of a science through different stages, each deriving its impulse from those which precede, and leaving its trace on those which follow. Sometimes the influence is direct, sometimes reaction is the dominant feature. From economic thought in ancient times, through its period of obscurity amid the ruins of the Roman Empire, from its resuscitation at the close of the middle ages and through the schools of thought of the seventeenth, eighteenth and nineteenth centuries, the writer traces the development of that theory of a social life in its economic aspects which is the distinctive note of modern writings. The fifty pages devoted to this part of the subject are full of fine generalisation, and throughout are singularly free from partisanship. The least satisfactory pages are those towards the end of the sketch where unnecessary space, as contrasted with the previous brevity, is given to the recent developments of modern schools of thought.

The other part of the introduction deals with matter which, unlike the history of opinion, suffers of necessity from compression. Professor

Schmoller indicates at the outset two fundamental features of the economic sphere, social impulse with its organisation and economic activity. Starting with these he seeks to rapidly describe the various stages of their growth and their mutual action and interaction. But this obviously involves very large matters indeed, for what is not involved in an account of the growth of society? But this is what the writer attempts, not of course as an important and fundamental work in itself, but by way of introduction to the more definite economic treatment to follow. He points out that the feeling and sentiment of a community is threefold—namely in and through race, through military existence both in its internal sense of protection and in the sharp contrast with other bodies, and lastly in economic and industrial unity. True community, moreover, depends for its realisation on the development of certain social faculties, speech and writing, which bring men into contact and weave the bonds which unite them. As social feeling grows through these means new objects and modes of unity present themselves, as, for example, the sense of religious fellowship with its corresponding organisations; and thus the instinct of social life is preserved and enforced. At this point it becomes necessary to consider the causes of individual action. These are treated as pleasure and pain, terms at one time so defined as to appear to indicate a simple utilitarianism, but subsequently modified so as to amount to little more than mere preferences. The order of feelings is then touched on and the development of definite wants which in their turn give rise to definite effects for their satisfaction. These crystallise into certain permanent impulses, of which three are predominant, namely, those which relate to self-support, activity, ambition, and rivalry leading in their development to the desire of acquisition. Acquisitiveness is treated at some length and with singular force. While denying to it anything like universality, Professor Schmoller emphasises its great importance, and in a passage of great interest traces its growth and explains its complexity as an idea and a motive. Side by side with the growth, thus shown, of individual motives and springs of action, is placed the gradual development of those restraining ideas which first manifest themselves in custom, then in law, and finally in the higher dictates of morality. The contrast and the interaction between the natural impulse and the moral or social impulse are well brought out, and illustrated by the nature of the struggle for existence. The part played by this is skilfully analysed.

A sketch such as the foregoing bristles with controversy and is only consecutive by reason of conclusions which cannot be argued for want of space, and which therefore must rank more or less as assumptions. What is its justification? Incidentally it gives opportunity for some very brilliant instances of sound historical analysis, as, for instance, in the accounts of acquisitiveness as a motive of the connection of economic and ethical life, and of the struggle for existence. But these, whatever their interest and importance, and

both are great, cannot justify an introduction so largely composed of assumption. Its justification lies in a wholly different direction. It can be justified because it is necessary; and it is necessary as representing economic life as one side of a common social life, and so as organically related to a greater whole. Hence its importance in the present instance. It stands as a monument of the dominant idea which meets us on almost every page of the present work, the idea, that is, of economic activities and life as elements in society, and as depending on the society in its particular grade and form for their development and their features.

The two-sided introduction which has been described above leads to the fundamental and more strictly economic portion of the book, which consists of four parts, two comprised in the present volume, two to constitute the second and forthcoming volume. Of these four parts, the second and the third are, as the author tells us, the more important. They form the groundwork of economics. The second part being devoted to the anatomy, as it were, of the social constitution, of the family, the society, and the industrial organisation mainly in relation to the character of the economic organisation which grows up in each. In the third part he treats the physiology of the subject, including here, exchange, price, money, credit, distribution, and other like phenomena. There remains for description the first and the fourth books. The former deals with the relation of economic organisation and of economic developments to certain great and, as it were, almost external features, land and external nature, people, and technical position, while to the last book sundry results of our existing system are left over for treatment. Of the four books here mentioned the present volume contains but two. In the first Professor Schmoller discusses, first of all, the connection between economic growth and nature. Climate, geographical situation, the soil, and other natural phenomena are described in respect of their industrial and commercial importance; next the influence of race, of the distribution of population, and of other matters connected with the people is sketched; while the last chapter summarises the action and interaction of social growth and certain technical conditions. The second book comprises even more important matter, so far as the social economist is concerned, since its subject is the effect of social organisations upon economic development. Here we turn from the consideration of the individual as the unit to that of the group, which is classified under three headings, those, that is, of relationship as to the family, of administration as the parish and the state, and of industry and commerce, as trusts, companies, and the like. Each of these is reflected in the economic circumstances which form its accompaniment.

Enough has been said to indicate the contents of the volume before us. To some extent, indeed, the contents and their order describe Professor Schmoller's general attitude towards the treatment of economics. He aims at synthesis, not, it is true, as a substitute for

analysis, but rather as its setting. Economic life and its social counterpart and condition, though distinct, must not, he contends, be insulated. On the dangers of such separation much is said, and with much that is said nearly all who have thought on the subject will agree. The various strands which constitute the social life are too organically united not to suffer in the attempt to untwist them. The difficulties of his method are three : in the first place, analysis suffers. In the second place, different economic phenomena come into consideration before they are defined and before their nature is understood. This, of course, does not matter to the class of students who are likely to read such a book as the present. These disadvantages do not affect them ; but they would affect young students yet in the gall and bitterness of the elements of their study. Lastly, save in experienced hands such a method may lead to wide rather than careful detailed knowledge. But these difficulties arise, rather from the weakness of man than any inherent defect in the method itself. In the present case they can hardly be said to exist at all.

In two respects this volume calls for particular notice. The value of a general sketch by a teacher so experienced and a scholar so acute and learned as Professor Schmoller can hardly be over-estimated. Quite apart from the accuracy of each part, the sketch, as one large connected series of generalisations, is of great interest. The careful student will find it full of suggestion. Again, it is a lesson in method taught in the most effective way, by example rather than profession.

E. C. K. GONNER

NOTES AND MEMORANDA

THE BUDGET OF 1901

THE year's budget proposals may fairly be regarded as the normal development of the policy which the Chancellor of the Exchequer outlined for himself at the beginning of the war. A cautious avoidance of any startling changes, and particularly of any grave departure from established financial principles, together with the use of both taxation and borrowing to meet the extraordinary expenditure, are characteristic points. Equally characteristic is the use of the income-tax as the main instrument for raising fresh revenue, in spite of the plausible objections to which that method is open. But the process of normal development admits, and even at times requires, the introduction of new expedients, and accordingly there are two new taxes of importance in the financial scheme.

A study of the budget as a whole produces a deep impression of the magnitude of the problem to be faced. Taking the two years 1900—1902 the expenditure (partly estimated) stands at over £365,000,000, or half a million a day. When to this we add the outlay by local governments the charge imposed by the State on the collective income of the inhabitants of the United Kingdom is evidently to be regarded as a serious element in the total outlay. The figures of revenue are quite as impressive as showing the way in which the burden is distributed and the capacity of the country to bear it. As yet there is no decided indication that the strain is too great; but some important taxes are probably very near their point of maximum productiveness and will require to be carefully watched in the future. Coming to the actual changes proposed, we may note the absence of those small and harassing alterations in stamp duties, and of any attempt to secure small gains by direct consumption taxes in which some Chancellors of the Exchequer have delighted. The Parliamentary advantage of relieving a budget from such encumbrances is great, and so is the economic benefit to the tax-payers. Nor is any countenance given to a retrograde policy of "protection" or "encouragement" to colonial interests.

The addition of 2*d.* to the income-tax is thoroughly justified; the

only matter for doubt being whether it would not have been wiser to double the increase and thus bring the tax to the point at which it stood during the Crimean war. It must be remembered that the great extension of the "abatement" system has considerably lightened the pressure of this tax.

The next proposal, that of a duty on sugar, is also to be commended. Bearing in mind the fact (already referred to) of inelasticity in the chief duties on commodities, it was highly expedient to add, or restore, a productive article to the list. There are, no doubt, certain important objections which would be of much force in a time of moderate expenditure, but which are totally inapplicable under present circumstances. The equity of balancing the additional income tax by a consumption tax which will chiefly fall on those below the exemption line of the former tax is a further consideration in its favour. One danger to which this duty was open—of being so applied as to discriminate in favour of British producers or West Indian planters has been successfully escaped.

A much more doubtful case is presented by the new export duty on coal. Amongst the objections which may be made to this impost there are :—(1) The uncertainty of yield—the export trade in coal is notoriously fluctuating, and it is easy to conceive circumstances in which the duty would prove a most disappointing one. (2) Again, the incidence (if so old-fashioned a term may be allowed) of the tax is uncertain. Mine-owners, lessees, miners, shippers, foreign consumers will each and all believe that the incidence is altogether on themselves, while Jevons may be right in holding that the real charge would be on the consumers of imported commodities.¹ In fact, the tracing of the incidence of an export duty is one of the hardest of problems. A natural consequence is the magnifying of the apparent, as compared with the real, pressure of the tax. A moderate charge will seem to be paid two or three times over, and this erroneous feeling is one of the elements that should be considered in estimating the evils of a tax. (3) The duty may produce its principal effect by checking British trade at competitive points, and hence reducing profits without making any contribution to the revenue. The best that can be said in favour of the tax is that it is very moderate in amount, and that increasing exports of coal are not altogether advantageous. But it must be confessed that its probable removal in the near future need not be a cause for sorrow.

Another noticeable part of the financial scheme is the treatment of debt. Recent experience has taught the lesson that it is better to avoid new forms of debt, and to fall back on the established "consols."

¹ *Coal Question*, p. 337, also *Cp.* "It may be said that there are even more reasons against a tax on coal as a source of revenue than might be urged concerning most taxes. It would be paid out of our pockets as much as the income tax, and would act besides as a restriction on commerce and a burden on navigation." *Ib.*, p. 338.

Unfortunately, the large issue of the stock has to be placed at a considerable discount ($5\frac{1}{2}$ per cent.). It is questionable whether an issue at par with temporarily higher interest would not have given a better result, but this is a matter of account on which the Treasury has the best advice at its disposal, and the benefits of uniformity are secured by the present plan. The actual increase of debt is the really serious matter. For the two years 1900-2 this increase will be, broadly speaking, £100,000,000, *i.e.*, about the amount of debt paid off between 1886 and 1899. Thus two years of war balance the work of fourteen years of peace.

One observation on the form of the budget accounts should also be made, *viz.*, that a thorough carrying out of the distinction between "ordinary" and "extraordinary" expenditure would be advantageous. The device of an "extraordinary" budget has been so often misused on the Continent that it is naturally an object of suspicion, but in the case of war finance it is decidedly convenient, as it facilitates the comparison of different years and makes the general statement more intelligible.

C. F. BASTABLE

ON SOME DISPUTED POINTS IN THE THEORY OF INTERNATIONAL TRADE

IN the March Number of this JOURNAL, Professor Loria has reopened the discussion of some difficult and debatable points in the abstract theory of foreign trade which had been a matter of controversy amongst English economists. As his views are almost completely in agreement with those which I had endeavoured to expound, his support induces me to re-examine the questions in the hope of at least making the issues more distinct, if unhappily complete agreement is unattainable.

One of the controverted matters is the possibility in abstract theory of a country suffering in population and wealth by the change from prohibition to complete free trade. Mr. Sidgwick argued strongly in the affirmative and received the support of Professor Edgeworth.¹ In spite of this weight of authority, I have sought to maintain the negative on grounds which seem implied in the very nature of trade between nations, and I welcome Professor Loria's aid in this difficult task. The sharp contrast of views on this matter appears to arise from a different way of contemplating the fundamental conditions. After carefully weighing Professor Edgeworth's latest statements, I am still compelled to believe that the conception of a "landed" as opposed to a "landless" class is the root from which his propositions derive their nutriment. "The possessors of the land" are put in opposition to "the workers who, could not find employment in agriculture." Such a line of division is, I believe, entirely inconsistent with the Ricardian theory. Under free

¹ Professor Nicholson's treatment of the question shows that he also supports this view.

competition the labour and capital of a country tends to be so distributed as to secure economic effectiveness. The assumption of mobility removes every barrier to the movement of the industrial factors from one employment to another. Thus in the particular case selected by Mr. Sidgwick, the country under consideration is supposed to be one in which the law of diminishing return is powerfully operative, while at the same time its manufactures are twice as dear as those imported. The initial effect of the opening of foreign trade is to displace the products of home manufacture by imported goods. The labour and capital engaged in the production of the goods so displaced will, on the Ricardian hypothesis, be transferred to agricultural production. To this transfer, Professor Edgeworth raises the difficulty that "the conditions of 'comparative cost' might be such as not to permit a large influx of new workers into agriculture." This contention is open to the reply that if the returns from agriculture diminish very rapidly as new labour is applied, the disadvantage under which manufactures labour will be removed by the increased cost of agricultural products, which will become unsuitable for export, until at length the situation will be reversed and the country will export manufactures and import food, &c. This argument may indeed be best put in the form of a dilemma. Either there is room for all the labourers displaced from manufactures, or there is not. If the former be true, the difficulty, as Professor Edgeworth would allow, disappears; if the latter be the case the inevitable result will be a rise in the comparative cost of agricultural commodities, sufficient to make the import of the manufactures—which, under the hypothesis, can only be paid for by equivalent exports—unprofitable. In short, Professor Edgeworth only reaches his conclusion by emphasizing the action of the state of diminishing returns, while ignoring the results that necessarily follow from its operation. In dealing with the problems of international trade it is essential never to lose sight of the relations between imports and exports which are implied in the governing condition of comparative cost. His assumption that labour and capital cannot find a profitable field of use in agriculture without taking into account the accompanying conditions which produce that impossibility, seems to be the explanation of Professor Edgeworth's attitude.

A somewhat similar explanation is applicable to another closely related point on which also I find myself, in company with Professor Loria, differing from Professor Edgeworth, viz., the stage at which, under the condition of cost, trade between two countries will cease. As foreign trade arises out of differences in the comparative cost of producing the commodities interchanged between the countries concerned, it would seem to be a necessary inference that should these differences cease to exist, the trade which results from them would also come to an end.¹ This doctrine, which has been, I cannot but

¹ This is clearly the opinion of Professor Taussig. Arguing against Professor Paten's views he states: "The loss from the pressure of the law of diminishing returns

think, the accepted doctrine of Ricardo and his followers, is impugned, by Professor Edgeworth. Difference of cost is, he indeed allows, essential for the opening of trade, but "identity of comparative cost is the essential condition of a steady foreign trade."¹ This contention is supported by an appeal to the modern theory of economic equilibrium. The consumer of tea who goes on increasing his purchases until the attainment of the marginal point (at which the utility of the last pound purchased just balances the price paid for it) is invoked as affording a precise parallel. If, in the one case, there is an expansion of dealing, why should there not be a similar movement in the other? This argument, which is urged with all Professor Edgeworth's well-known persuasiveness and wealth of illustration, is undoubtedly formidable in appearance, though the results to which it leads are so inconsistent with what might be expected as to suggest the need of closer examination. The first point to be noticed is the absence of complete resemblance between the case of the purchaser of tea and the trading nation. The former is not a producer of the commodity he seeks to buy, while the trading country is a potential producer of both of the goods it exports and those it imports.

One case may, however, be suggested in which Professor Edgeworth's conditions are completely realised, viz., the case of trade between countries each of which has a strict monopoly of its particular product. If country A exchanges ice for country B's spices, each being unable to produce the article which it obtains by trade, then the traffic would go on increasing as long as any advantage could be obtained from its expansion, but the condition of comparative cost would be absent and replaced by that of marginal utility.²

A more important consideration is the ambiguity in the expression "difference in comparative cost." This expression was originally employed in reference to the ratios of cost in the two countries that were regarded as making up the trading world,³ and those costs were taken as existing before international trade had commenced; though, as the earlier writers in treating of foreign trade did not allow for variations of cost according to quantity produced, they did not insist on this particular point. Now I would specially emphasize the fact that all through the course of foreign trade the comparative costs to be considered are those which would exist at the margin on the hypothesis that each country is isolated. Otherwise, as the margins of both products in both countries vary under the action of demand, it would be impossible to regard the "costs" as affording any standard. If this meaning be given to the expression "comparative cost," we are able to understand how its difference forms the underlying condition on which the existence of international exchange depends.

is offset by the gain from cheaper imports. *When that gain ceases the trade will cease also.* (The italics are mine.) *Quarterly Journal of Economics*, Vol. VII., p. 174.

¹ *ECONOMIC JOURNAL*, Vol. X., p. 391.

² Cp. *International Trade*, p. 38.

³ J. S. Mill, *Principles*, Bk. III., ch. 17, § 2.

It is, however, plain that the expression "comparative cost" admits of another meaning, viz., the actual marginal cost of production of the articles under the readjusting influence of foreign trade. If this be the meaning taken, I, of course, accept Professor Edgeworth's view that there will be identity of comparative cost.¹ Indeed, I may add, that any other state is impossible, as giving an uneconomic distribution of the productive power of the country adopting it. But for the special point under consideration, this meaning appears unsuitable. What is really important to follow is the way in which the variations in the terms of interchange are kept in bounds by the limits that the cost ratios in the exchanging countries supply. An approach to either limit reduces trade; when either limit is reached trade ceases. But this attainment of the limit is nothing else than the disappearance of the difference between comparative costs.

Unless we adopt this view it seems difficult to comprehend the actual movement of international trade, the conditions of its reaching a maximum, and the point at which it will cease. As I understand Professor Edgeworth's statements, foreign trade is always tending to a maximum under the given conditions; but if we want to know whether a change in conditions will cause increase or decline, the answer does not seem to be supplied, still less is there any indication of the conditions under which foreign trade will cease. An elucidation of these points would help the inquirer who wants to see the whole problem in its various bearings.

Returning to the consideration of the particular country in danger of devastation from a ruthless application of commercial freedom, it is desirable to further note that its exports under the supposed conditions will tend to increase in cost as they expand, thereby checking the demand of outside countries; but, as its imports are dependent on its exports, the destruction overhanging its manufacturers will be held in abeyance. Finally, to adopt an instructive variation of the case, we may suppose that the free or, indeed any, movement of labour and capital from manufactures to agriculture is impossible. Under this special state of things the injury inflicted on manufacturers by the introduction of free trade is great. They have to sell their goods for half their former price² or emigrate. But then it must also be borne in mind that the manufacturers had previously been levying a heavy tax on the agricultural community, and had, in fact, been a parasitic group, whose presence was an injury rather than an advantage to the country from which they raised a toll without rendering an equivalent service.

C. F. BASTABLE

¹ Cp. *International Trade*, p. 30, for an illustration.

² See Sidgwick, *Political Economy*, pp. 437-8, for this detail which Professor Edgeworth regards as equivalent to "starvation."

THE CENSUS.

A FORECAST

In the interval between the taking of the census and the publication of its results it is interesting to inquire how nearly we can foretell its figures. The following forecast can scarcely be much in error, at any rate for the United Kingdom as a whole, provided that the Board of Trade estimates of net emigration, which are now about to be tested for the first time, are fairly correct :—

	United Kingdom.	England.	Scotland.	Ireland.
Excess of births, 1891-1901	+ 4,296,000	+ 3,579,000	+ 498,000	+ 219,000
Excess of emigrants, 1891-1901	- 620,000	- 140,000	- 50,000	- 430,000
Army gone abroad, say	- 200,000	- 175,000	- 12,000	- 13,000
Total increase.....	+ 3,476,000	+ 3,264,000	+ 436,000	- 224,000
Population in 1891 ...	87,732,922	29,002,525	4,025,647	4,704,750
Estimate for 1901	41,209,000	32,266,000	4,462,000	4,481,000
Per cent. of increase...	9.2	11.3	10.8	- 4.8
„ for 1881-91..	8.2	11.7	7.8	- 9.1
„ for 1871-81..	10.8	14.4	11.2	- 4.4

The first line of the table contains the excess of births over deaths recorded in the calendar years 1891 to 1900. It is assumed that the figures for the first quarter of 1901 will not differ materially from those of the first quarter of 1891.

The next line is obtained in this way: the Board of Trade net out-flow figures for the United Kingdom for the years 1892 to 1899 amount to 423,000; to this is added 72,000 for the three last quarters of 1891, 20,000 for the whole of 1900, 5,000 for the first quarter of 1901, and 100,000 (a very doubtful item) for the foreign sailors who are said by the Board of Trade to be omitted from the emigrants. The distribution of the resulting total among England, Scotland, and Ireland is decided as follows: Ireland is credited with an amount equal to the Irish emigration figures for 1891 to 1899 *plus* an average for 1900, and the balance is distributed between the two parts of Great Britain in approximately the same ratio as the loss by migration of 1881-91 was distributed.

The third line is based on mere impressions derived from the newspapers, and readers can amend it as they fancy. I have naturally refrained from writing to the War Office on the subject.

The increased rate of growth shown for Scotland and the decreased rate of decline in Ireland are both due to decreased loss by emigration. The excess of births over deaths is less both relatively and absolutely in each of the three kingdoms, and it must be remembered that it would have been much smaller still if the emigration had been as great as in 1881-91, since emigrants are commonly of an age suitable for parental functions. Changes in the two factors having thus counter-balanced each other, the so-called official estimate for England will this time be very near the truth, instead of enormously erroneous as it was in 1891, when the changes worked in the same direction instead of against each other. The Scotch official estimate, made on the same principles as the English, should be considerably exceeded, emigration being a more important factor in Scotland than in England. The Irish official estimate is a real estimate, and as usual will not be far wrong. If made on the English official basis it would probably be nearly 200,000 out. The official estimate for the United Kingdom is a jumble of the British and Irish estimates, and is of no importance.

April 16, 1901.

THE RESULT.

THE unexpectedly early publication of the provisional results of the census makes it possible to compare the forecast and the reality in the same number of the JOURNAL.

For England and Wales the forecast is 259,716 below the reality, for Scotland it is 9,957 below, and for Ireland it is 24,454 in excess. For the United Kingdom it is 245,219 below the reality. The errors are 8 per thousand for England, 6 per thousand for the United Kingdom, under 6 per thousand for Ireland, and a trifle over 2 per thousand for Scotland. They are not very large for an estimate made by a private person without access to statistics already in existence but not yet published. But, of course, they ought not to exist, and we may proceed to inquire why they do.

In the first place the excess of births over deaths requires a few small corrections. It appears from the return of births and deaths in England and Wales during the first quarter of 1901, that the deaths were considerably fewer than in the first quarter of 1891, so that the excess of births comes out 13,444 greater than in that quarter. Against this we have to set the fact that the 1891 census was taken five days after the end of the quarter. On balance we require to raise the excess of births in England about 9,000. For the same or similar reasons, I have found it necessary to raise the Scotch excess by 1,000 and reduce the Irish by the same amount.

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Further, I find that the army in South Africa on May 1, 1901, was composed as follows :

Regulars	198,002
Colonials	58,821
Imperial Yeomanry	23,104
Volunteers	9,385
Militia	20,104
	249,416

and that up to that date 14,978 officers and men had been removed by death. With these facts before us and remembering that a considerable part of the force has been sent from India, it seems necessary to reduce the military net emigration, and I have therefore cut it down by 25,000, taking the whole of this off England and Wales.

Secondly, unless the returns for 1900 when published exhibit a most remarkable variation from recent years, the Board of Trade figures for the net emigration from the United Kingdom are considerably in excess of the reality. Substituting for them (and for the suggested distribution between the three Kingdoms) the true figures as revealed by the census, we get our table amended as follows :

	United Kingdom.	England.	Scotland.	Ireland.
Excess of births, 1891-1901	4,305,000	3,588,000	499,000	218,000
Excess of emigrants, 1891-1901	- 408,708	+ 85,191	- 40,690	- 453,204
Army gone abroad, say	- 175,000	- 150,000	- 12,000	- 13,000
Total increase.....	+ 3,721,297	+ 3,523,191	+ 446,310	- 248,204
Population in 1891 ...	37,732,922	29,002,525	4,025,647	4,704,750
Population in 1901 ...	41,454,219	32,525,716	4,471,957	4,456,546
Per cent. of increase...	9.9	12.1	11.1	- 5.3
„ for 1881-91	8.2	11.7	7.8	- 9.1
„ for 1871-81	10.8	14.4	11.2	- 4.4

It will be seen that for the presumed Board of Trade figures of something like 620,000 net emigration, the census (joined with the estimate of 175,000 for the army) requires us to substitute about 409,000. This seems at first sight a very grievous discrepancy, but half of it will be swept away at once if we take out what is called above the "very doubtful item" of the 100,000 foreign sailors who, according to the Board of Trade, come to this country as immigrants and go away as crews of ships. I have been asking for years if these crews do not for the most part come back again as crews, and either die here or go away again as emigrants, but I have not yet received an answer.

Another portion of the discrepancy will be wiped out if the returns for 1900 and the first quarter of 1901. fall below my estimate of 25,000, though of course the discrepancy will be increased if the estimate is exceeded.

In the very worst event it is perfectly clear that in estimating the population of the United Kingdom, it is much better to trust the birth, death, and migration statistics than to assume in defiance of all evidence to the contrary, that the previous intercensal rates of increase have been maintained. An estimate of the population of the United Kingdom, as a whole on that assumption, would have been no less than about 638,000, or over 15 per thousand deficient this year, and would never have been less wrong, but generally much more wrong than that in the last fifty years.

Further, the difficulty of distributing the total of the estimate among the three kingdoms seems to be very much exaggerated. It is already done and successfully done, with the aid of the Irish emigration statistics, by the Irish Registrar-General, so far as regards the distribution between Ireland and Great Britain. The distribution of the total for Great Britain between England and Scotland (a far less important problem) must necessarily be somewhat more conjectural. The formula adopted in the forecast above is clearly inapplicable in a case like the present when an enormous variation in the total migration from Great Britain has taken place. What has happened is, however, very much what might have been expected considering the well known location of foreign immigrants. When Great Britain's loss by emigration falls, Scotland's loss falls, but not so fast.

As was prophesied above, the so called official estimate for England has this time been very near the truth, *i.e.*, only 168,985 below the reality, and it would have been some twenty-five thousand nearer if the Registrar-General had not a few years ago abandoned the previous intercensal rate of increase method in favour of another system under which the rate of increase of London was assumed to be the same as in one quinquennium and the rate of increase of the rest (not the whole) of the country was assumed to be the same as in the decade preceding that quinquennium—a system wholly indefensible on any possible principle.¹ But the Scotch estimate made on the same principle is about 134,000 short of the reality, so that for Great Britain the rough forecast above, even without the obviously required corrections which could have been made by any one with access to the figures collected, but not at the time published by the government departments, is nearer the truth than the official estimates.

For Ireland an estimate on the English official method would have been about 180,000 below the reality.

A comparison between the results of the previous intercensal rate system and the statistical method will be facilitated by the following

¹ Clearly if London was to be treated separately its population should have been simply subtracted from that of the whole country calculated in the old way.

tables, in which the percentage of error under the two systems is roughly worked out, + signifying that the estimate was in excess by the percentage stated and - that it was in defect :

I. ERRORS BY PREVIOUS INTERCENSAL RATE METHOD.

	1841.	1851.	1861.	1871.	18 1.	1891.	1901.
United Kingdom.	+2.5	+8.5	-3.0	-2.8	-1.8	+2.4	-1.5
England and Wales	+1.1	+1.6	+0.7	-1.1	-1.0	+2.4	-0.4
Scotland	+2.0	+0.5	+4.0	-3.3	-1.3	+3.1	-3.0
Ireland.....	+8.55	+31.2	-9.4	-5.1	-2.4	+5.2	-4.0

II. ERRORS BY STATISTICAL METHOD.

	1891. (Dr. Longstaff.) ¹	19 1. (Above.)
United Kingdom	+0.2	-0.6
England and Wales	+0.0	-0.8
Scotland.....	+2.0	-0.2
Ireland	-0.2	+0.6

There seems no reason whatever to suppose that the previous intercensal rate method will give any better results in the future than in the past, while we may very reasonably hope for an improvement in the Board of Trade statistics of migration, so that in future the statistical method is likely to compare still more favourably with the other method than it already does.

In conclusion I should like to express a hope that if the Registrar-General still refuses to take notice of the Board of Trade figures, the Board of Trade will begin to take notice of the Registrar-General's figures, and furnish us year by year with a true estimate of the population on the 31st of December, or perhaps preferably the 31st of March, so as to correspond with the censuses.

EDWIN CANNAN

May 23, 1901.

¹ ECONOMIC JOURNAL, June, 1891, pp. 382-388.

CONCILIATION IN THE COTTON TRADE¹

READERS of Mr. and Mrs. Webb's *Industrial Democracy* may perhaps remember the high commendation given by them to the methods of conciliation practised in the cotton industry. By such means "industrial peace" has, in a large measure, become a reality in this important trade. The passage is so appropriate to the discussion of certain notable incidents in the recent history of one great department of that industry, to which we now propose to call attention, that it deserves to be quoted. In their chapter on the "Method of Collective Bargaining" (Part II., Chapter II., p. 203), Mr. and Mrs. Webb observe that the "machinery" for this purpose, "developed by the cotton operatives," "approaches the ideal." They give the detailed reasons for this emphatic opinion. "We have to begin with," they remark, "certain broad principles unreservedly agreed to throughout the trade. The scale of remuneration, based on these principles, is worked out in elaborate detail into printed lists, which (though not yet (1897) identical for the whole trade) automatically govern the actual earnings of the several districts. The application, both of the general principles and of the lists, to particular mills and particular workmen, is made, not by the parties concerned, but by the joint decision of two disinterested professional experts, whose whole business in life is to secure, not the advantage of the particular employer or workmen by whom they are called in, but uniformity in the application of the common agreement to all employers and workmen. The common agreements themselves are revised at rare intervals by representative joint committees, in which the professional experts on both sides exercise a great and even a preponderating influence." "The whole machinery," they conclude, "appears admirably contrived to bring about the maximum deliberation, security, stability, and promptitude of application."

This cordial, but not unmerited, eulogy, will serve as a fitting introduction to an account of some recent negotiations between the masters and the men of the cotton-spinning trade. In their treatment of what they call "collective bargaining," Mr. and Mrs. Webb draw an important distinction between the "essentially different processes of interpreting an existing agreement and concluding a new one." They observe that in establishing and maintaining this clear and sharp distinction the cotton operatives of Lancashire have only resembled the coalminers of Durham and Northumberland. But, they remark, "they have done more than this." "Unconsciously, and, as it were, instinctively, they have felt their way to a form of machinery," "which uses the representative element where the representative element is needed, whilst, on the other hand, it employs the professional expert for work

¹ *Conciliation in the Cotton Trade: Report of Negotiations, 1899-1900, and Press Comments.* (1901).

at which the mere representative would be out of place." "Salaried professional experts" "devote their whole time to the service respectively of the Employers' Association and the Trade Union." So skilled is the work demanded of them that the officials of the Union, thus occupied, are appointed, in part at least, by competitive examination. For the earnings of a cotton-spinner depend "upon the complex interaction of such factors as the 'draw' of the mule, the number of its spindles, and the speed with which the machinery works;" and it is an essential condition of the "collective bargaining" conducted in the trade that the operative should receive "compensation for defective material or old-fashioned machinery, and the employer a corresponding allowance for improvements." This essential condition it is which is guaranteed by the services of the "salaried professional experts." It is their duty to apply the general lists to the particular mills, and the particular workmen, paying due consideration to the character of the material and machinery in use. It is their function—a function at once necessary to the realisation of "industrial peace," and at the same time impossible without the exercise of expert ability—to secure "uniformity in the application of the common agreement to all employers and workmen," without depriving the "able capitalist," or the "energetic workman," "of the full advantage of his superiority."

So far, then, as the "interpretation" of an existing general agreement, and its application to particular cases, are concerned, the cotton industry may justifiably claim to have "approached the ideal;" and informed students of the history of industrial conciliation will readily allow that this is no inconsiderable achievement. To remove, or to minimise, the opportunity for minor local disturbance is a great advance in the direction of "industrial peace." The automatic adjustment of general wages by a "sliding scale," sometimes regarded as the ideal method of conciliation, is not complete without the complementary mechanism of a "joint committee" for settling by pacific methods minor disputes, which arise in the adaptation of the general agreement of the county or district or trade to the special circumstances of the particular place, or mine, or enterprise. "Joint committees" have passed successfully through tempestuous conflicts, which have proved fatal to "sliding scales;" and it would therefore seem probable that an industry like cotton-spinning, where the "interpretation" of an existing agreement is already proceeding on such scientific and satisfactory lines, would not only endeavour to apply some such automatic machinery, as that of a "sliding scale," to the determination of the general agreement itself, but would also start from a position of great advantage in the pursuit of this desirable aim. At any rate, negotiations in the cotton-spinning industry, during the last two years, have been distinctly intended to put the "general agreement" on a basis approved by both parties. They have tried to establish a machinery by which smooth, automatic adjustment to altering trade may take the place of recurring friction, which only

irritates and annoys, and offers the poor substitute of temper and accident for reason and system.

Unfortunately, the negotiations have, for the present, proved abortive; but the outside observer may be permitted to hold more confidently than either the masters or the men engaged in the industry the belief that the same common sense, which has placed it in the first rank for the scientific rational settlement of minor causes of quarrel, will suffice to overcome the undoubted difficulties, which remain as obstacles to agreement on a general principle, by which the rate of wages should be permanently and, so to say, automatically, adjusted. The principle suggested, and indeed accepted in general terms, in the negotiations, which were stopped by serious differences of opinion on important points of detail, bears a resemblance to that recognised in the sliding scale, but exhibits also some noteworthy differences. The student of industrial conciliation will be interested in observing these differences, and he at least will be grateful to the employers for publishing a "report of the negotiations," with the comments of the press. The men, indeed, seem to have felt some resentment at this publication, not merely because what they might not unnaturally consider an *ex parte* statement had been furnished to the public, but also, apparently, because they were under the impression, rightly or wrongly, that the negotiations would remain private. But it is not easy to quarrel with the object which, in their Introduction, the employers declare they had in view in publishing the Report. It was "to place on permanent record the progress that has been made towards the formation of a Conciliation Scheme for the Cotton Spinning Industry, and, further, to awaken as wide an interest as possible in the important question of harmonious relationship between capital and labour." It would be hard to disapprove of such an object; and it may be noted that the documents printed in the pamphlet include the "Operatives' Official Report of the Negotiations," while the "Comments of the Press," though no doubt consisting in the main of articles favourable to the conciliation scheme, comprise also instructive extracts from the organ of the men, *The Cotton Factory Times*, which certainly exhibit no lack of vigour or frankness in stating their position and criticising the conduct of the masters. In fact, the external observer is bound to admit that such imputation of unworthy motives, as is apparent throughout the negotiations, as here reported, seems to have proceeded rather from the side of the men, and that a greater amount of willingness to make concessions for the sake of enduring peace appears to have been evinced by the masters. The men might, it is true, retort that the original position assumed by the masters was untenable, and that the concessions made were not merely demanded by considerations of equity, but were really inevitable. The fact remains, as has been observed by a newspaper critic, by no means indisposed to find fault with the masters, that the concessions have been made, and that the men have gained in the course of the

negotiations certain points which they deemed of considerable importance.

The negotiations lasted from September, 1899, to December, 1900; but for some months before conferring with the men a Conciliation Committee of the Federation of Master Cotton Spinners had been engaged in considering and preparing a scheme "for the regulation of wages" "in accordance with the state of trade." This scheme was regarded as a supplement to the "Brooklands Agreement" signed on the 24th March, 1893, which terminated the strike of 1892-3. The "Brooklands Agreement" may therefore be taken as the starting point of the negotiations, although they did not take actual shape until the revival of trade in 1897, after a long period of continued depression, brought a demand for an advance in wages, which the masters first resisted on the ground that the revival was passing, and finally conceded to the extent at least of restoring wages to the figure at which they had stood before the reduction of 1893. In granting this advance, they drew the attention of the men to the first clause in the "Brooklands Agreement," and, as a result of the communications which ensued, it was thought desirable that some scheme for carrying out the provisions of the clause should be prepared by the masters, and submitted to the men.

The "Brooklands Agreement" is described in the press quotations in eulogistic terms. "The finest treaty ever concluded between workers and employers" is the language used by the organ of the employers—*The Textile Mercury*. "The most complete treaty between capital and labour that has been framed" is the description given in the "Employers' Official Report of the Negotiations." "The Magna Charta of the Cotton Trade" is the title assigned by the *Manchester Courier*. The Agreement itself is printed as an Appendix to the Report of the recent negotiations. It contained clauses by which provision was made for the equitable and pacific adjustment of local quarrels, in the first instance by the conciliatory action of the local associations, and, failing their success, by reference to the central bodies. It contemplated common action, in the "general interests of the cotton industry," by the associations of the masters and the men "in respect to the opening of new markets abroad, the alteration of restrictive foreign tariffs, and other similar matters, which may benefit or injure the cotton trade." It endeavoured to limit the range, and to lessen the frequency, of general disputes, by insisting that "no advance or reduction of wages" "shall in future be sought for by the employers or the employed until after the expiration of at least one year from the date of the previous advance or reduction," and that "such advance or reduction, when agreed upon," shall "not be more or less than 5 per cent. upon the then current standard wages." It settled the actual dispute, in which the trade was involved at the time when the Agreement was concluded, by a reduction of 7d. in the £ on the wages then paid; and it provided

that no application for an increase or reduction should be made within six months, and that the next increase should not exceed the present reduction, unless in the meantime there had been a further reduction, which in that case should be added to the increase. But, over and above such pacific provisions, the first clause of the Agreement was of great importance, at least as an expression of deliberate opinion. It ran in these terms:—"The representatives of the employers and the representatives of the employed, in the pending dispute, hereby admit that disputes and differences between them are inimical to the interests of both parties, and that it is expedient and desirable that some means should be adopted for the future whereby such disputes and differences may be expeditiously and amicably settled, and strikes and lock-outs avoided."

In pursuance, then, of the expression of opinion contained in this clause, the Conciliation Committee of the Federation of Master Cotton Spinners began, on the 18th of May, 1899, to consider a scheme prepared for them by the President. The scheme contained three alternative proposals, of which the first endeavoured to supplement the defect of the "Brooklands Agreement" in omitting to make provision for a final settlement of a dispute in the event of a deadlock between the parties by a resort to "arbitration pure and simple, with an independent chairman." The third proposal, which was adopted by the men, contemplated the appointment of a Joint Committee of representatives of employers and operatives to consider whether any other conciliation scheme could be framed in substitution for that suggested by the masters in their second proposal. This scheme was of a somewhat elaborate and novel character. A Board of Conciliation was to be formed, consisting of an equal number of representatives of masters and men. Proceeding on the assumption that the rate of wages paid at the moment was "based" on the state of trade in the year 1898, the percentage of profit earned in that year was to be regarded as the standard rate of profit. Three months notice of any application for an advance or reduction of wages was to be given; and no advance or reduction was to be made, unless for the year previous to the notice the rate of profit had been respectively more than 2 per cent. per annum above or below the standard rate. For every 2 per cent. rise in the rate of profit an advance of $2\frac{1}{2}$ per cent. was to be made in the rate of wages; and, similarly, a fall of 2 per cent. in the rate of profit would carry with it a reduction of $2\frac{1}{2}$ per cent. in the rate of wages; but the advances and reductions were to be confined to a limit of 10 per cent. above or below the existing rate. The points especially deserving of notice in these provisions, the principle of which was accepted in the subsequent negotiations, are the adoption of a standard rate of profit, by which the fluctuations in the rate of wages were to be automatically adjusted, in lieu of the selection, generally found in a sliding-scale arrangement, of a standard selling price, and the assignment of a limit of 20 per cent. to the range of possible fluctuations of wages, which

was tantamount to the determination of a maximum and minimum wage. This latter provision might also be discovered in some sliding scales; and it is by no means impossible, under such a scale, to reconcile by some such provision the older idea that changes in wages should follow changes in selling prices with the conception, which has latterly met with favour among the men, of a minimum or "living" wage. The standard rate of profit was brought, in the course of the later negotiations, into some closer proximity to a standard selling price, by the contention of the men that a "net margin" of a farthing a lb. between the cost of production and the selling price might be taken without inquiry as a sure indication of a general profit of 5 per cent.

The actual rate of profit earned was to be ascertained by an elaborate method involving technical detail. Two yarn agents were to be appointed by either side to certify the prices of the standard qualities of certain specified counts of yarn on each market-day. Two firms of cotton-brokers, similarly appointed by either side, were to certify on each market-day the prices of the various grades of cotton, from which the standard qualities of yarn were spun. The certificates were to be furnished to the joint secretaries of the employers and the operatives, who, week by week, were in their turn to transmit the information of the prices of the raw material and the manufactured article to two firms of accountants similarly appointed by either side. Twelve mills were to be selected by the Board of Conciliation in the January of each year, which were to be as nearly as possible of equal size, and to be spinning the standard counts. The value of the buildings and machinery was to be ascertained, as they stood in the books of the selected firms, and a rate of depreciation on the original (first cost) value, of $2\frac{1}{2}$ per cent. on the buildings, of 5 per cent. on the motive power (except the boilers), and of $7\frac{1}{2}$ per cent. on the machinery (including the boilers) was to be adopted. An amount, fixed by the accountants, was to be allowed for chief management, where this work was discharged by the principals, and, where it was not, the actual expenses of management were to be taken. The last three years, working was to be examined to ascertain the basis of the cost of production, and to arrive at an average of the cost of such contingencies as loss of production through breakdowns or epidemics. All speculation for a rise or fall was to be eliminated; and from these data the "profit on the whole of the capital employed" "by selling yarn and buying cotton on the same day over a period of twelve months immediately preceding the notice for an advance or reduction in wages" was to be determined. In the event of disagreement between the two yarn agents, or the two firms of cotton brokers, or the two firms of accountants, as the case might be, provision was made for the selection of a third deciding party by the Conciliation Board.

Such was the scheme proposed by the employers for arriving at the profits earned; and, elaborate as it may seem, although the operatives were not prepared to accept the second proposal, with which it was

directly connected, it nevertheless became evident in the course of the later negotiations that some such method was necessary, even if, as the men contended, the "net margin" of a farthing a lb. was to be accepted as representing a general profit of 5 per cent. For, as the employers remark in their synopsis of the negotiations, this "net margin" meant the "amount remaining as the return on capital after providing for all working expenses," including depreciation; and the working expenses fluctuated largely according to "the variations in the prices of cotton, coal, stores," and the alterations in the rate of wages. But the employers themselves allowed that their scheme might possibly be "crude," and they admitted that they were not "wedded to it, but would be prepared to accept anything that was equitable and fair all round." On the 2nd of February, 1900, the operatives intimated their preference for the third proposal, by which a Joint Committee was to be formed to consider whether any other scheme could be framed. From March to December the negotiations were continued, with some interruptions and secessions, at meetings of this Committee, and by means of correspondence. At an early stage the operatives suggested the adjustment of wages on a "net margin allowing for the fluctuations in the cost of production, owing to variations in the prices of cotton, coal, &c., at the time it was taken," and the negotiations finally broke off, because they were unwilling to permit the particular question whether a net margin of a farthing in the lb. represented a profit of 5 per cent. to be determined by actual investigation, as the employers suggested, by accountants, and an umpire appointed for the purpose. To the external observer such a refusal may seem unreasonable, and hardly conciliatory; but it must in fairness be added that the men appear to have felt, whether rightly or wrongly, suspicion of the trustworthiness of the books which would be examined, in the case at least of some of the limited liability companies. And, although the negotiations actually came to a conclusion because an agreement on this particular question was found impossible, it must not be supposed that other important points of difference did not appear. On some concessions were made, and an agreement attained, but on others the interval separating the one party from the other did not cease to be considerable.

The standard rate of profit indeed was conceded at 5 per cent., and the original scale, by which a change of $2\frac{1}{2}$ per cent. in wages was to accompany a change of 2 per cent. in the rate of profit, together with the limitation of the range of possible fluctuations of wages to 20 per cent., was apparently not rejected in principle. But difference arose on the "standard rate" of wages. The workmen desired the existing rate of wages to be taken as the standard, while the employers considered that this was some 5 per cent. above the proper standard. No final decision was reached. On the rate of depreciation to be allowed on the buildings, the motive power and the machinery, agreement was, in the end, secured, in spite of initial difference; but no such agreement

was found possible on the average value per spindle of the mills at the present day, and a difference remained between 15s. on the side of the employers and 8s. on the side of the men.¹ An original cost of 25s. per spindle, and a rate of depreciation of 5 per cent., or 1s. 3d. per spindle, finally accepted by both parties, left this further question unsettled, for it depended on the selection of the typical mills, the books of which were to be examined. According to their respective age the average present value per spindle would vary; and on the details or principle of the selection the employers and the operatives failed to agree.

On the other hand the advance made in the direction of "industrial peace" by these negotiations is certainly not inconsiderable. Although they proved abortive, both parties fully recognised the desirability of the object for which they were initiated. The employers state in the Introduction to their Report that "it is confidently hoped that a Conciliation Scheme on the lines of the one already drafted will ultimately be adopted." The early Report of the Operative Spinners, in which, rejecting the first and second, they accepted the third, proposal of the masters, admitted that "there can be no question but that, from whatever standpoint they are viewed, stoppages of works, through the workmen and employers disagreeing, are to be deplored. It is easy," they proceed to remark, "for workmen to say that employers are overbearing and grasping, and for the employers to retort that the workmen are ignorant and unreasonable. This only leaves matters as they were, the real question being how the industrial wars, brought about by the holding of these views, can be put a stop to. As a matter of fact," they continue, "the feeling we have alluded to does not exist with anything like the virulence of a quarter of a century ago." . . . "In the spinning department of the cotton industry strikes are almost unknown." "The question now is as to whether the time is ripe to take another step forward, and make an effort to devise some system which may be made self-acting, and, which so far as general advances and reductions of wages are concerned, would make it impossible for a strike or lock-out to take place, so long as the arrangement was loyally adhered to." This is certainly noteworthy language, and in a similar strain the Executive Committee of the Union arrived at the formal resolution that, while not prepared to recommend the scheme suggested by the masters, they were "disposed to recommend any scheme based on an automatic principle for the regulating of general advances or reductions in wages which" was "based on a system that" would "work equitably for operatives and employers." Even when the negotiations had come to an end, without success, the later Official Report of the Operatives declared emphatically that the "experience obtained" had "done something towards confirming" the "view" which they had "at the outset," "that it would

¹ The masters also put the working capital at 5s. per spindle against the estimate of 3s. 6d. adopted by the men, but the men evinced a willingness to modify their estimate.

be a splendid arrangement for all concerned if an automatic system of regulating the rise and fall of wages could be devised." They asserted their belief that "the doing of this" was "far from impossible," and that the "work that" had "been done" had "not been wasted," but, on the contrary, the "knowledge gained" would "make it all the easier to make further progress when circumstances" warranted "another effort being made."

Both sides, again, agreed in the important principle that the rate of wages should vary with the rate of profit; and they advanced beyond this point in accepting 5 per cent. as the standard rate of profit. Of the remaining matters of difference some apparently admit of being determined by an impartial conciliator, and others do not seem beyond the limits of mutual concession. The particular year to be chosen as representing the standard rate of wages is, no doubt, vital to the respective interests of either side; but the difference is scarcely incapable of resolution by the understanding, to which some approach was made, that the standard wage is one paid at a time when the standard rate of profit is being earned. The selection of the mills, which can fairly be regarded as an average or normal type, and therefore forming the equitable basis for ascertaining the rate of profit earned, is a matter which permits great difference of opinion; but, when agreement has been reached on the depreciation to be allowed, on the original cost, and also on the working capital to be taken into consideration, it does not seem hopeless to expect that by a similar method of concession on the one side or the other a compromise may be effected on the present value of the mills per spindle, reaching the true figure of the capital engaged. The question, on which the negotiations were actually arrested—whether a net margin of $\frac{1}{4}$ d. per lb. between the cost of production and the selling price—was to be taken without investigation as proving a general profit of 5 per cent., or whether the matter should be independently and impartially examined, appears to the outside observer a question on which in the long run such a neutral investigation by professional accountants cannot be resisted. It certainly does not seem of itself a sufficient barrier to a pacific conclusion. It may be noted that the existence of such large numbers of those "limited liability" companies, of the genuineness of whose accounts the operatives entertain a suspicion, is the very condition which renders it feasible for a rate of profit of 5 per cent. to be accepted as the standard rate. For it is in consequence of this circumstance that the persons interested in Lancashire cotton-spinning consist generally of shareholders, who will be content with a small fixed interest on their capital; and it seems hardly possible, or at any rate likely, that in industries, where the individual employer is more conspicuous, such readiness would be shown to acquiesce in a definite rate of profit of a similarly modest amount. It might be dangerous therefore to argue from the peculiar circumstances of the cotton-spinning industry to the probability that the principle of the automatic fluctuation of wages, in accord with changes in the rate

of profit, would be adopted in other trades, although the extension of the practice of limited liability is a common feature of business at the present day.

Such a principle, it may be observed in conclusion, is a closer approach to the conception of profit-sharing than that made by the usual type of sliding scale ; but it is to be noted also that it certainly gives more occasion for differences of opinion on details, and necessarily involves more elaborate investigation than the adoption of a standard selling price. In any event some instructive and, we think, not discouraging lessons in the science and art of industrial conciliation may be derived from the study of these recent negotiations in the cotton-spinning trade, the Report of which has been published by the masters.

L. L. PRICE

THE GROWTH OF BANKING FACILITIES.

THE banks of this country have performed an important part in the simplification of the various monetary transactions which are necessary to a country with large commercial dealings throughout the world, millions of capital being transferred from individuals as well as collectively from nations without any visible signs of the methods employed. Some aspects of the machinery of business are daily brought before our notice, such as our great carrying trade, as illustrated by railways and steamships, which is familiar to all, and we have practical rather than theoretical examples of the work done by such methods in the production and distribution of wealth.

The concentration of capital in banks is of the greatest importance to commerce, because, through the medium of such institutions, it can be transferred without difficulty to localities where the need for it exists ; thus the surplus capital of a purely agricultural district can be utilised for a manufacturing centre.

Another effect of such concentration is that it tends to cheapen the cost of the loan of such capital, which is a distinct advantage to any community.

We know that large undertakings can be carried on at less cost than a series of small ones, and the same effect is seen when capital is under the management and control of large banks rather than of individuals ; this accumulation of capital in banks has also been the means of enabling the community to obtain advances when required without much difficulty. In other countries, the scarcity of capital is constantly noticed ; quite recently, loans in the United States could only be obtained at very high rates of interest, and a similar difficulty is experienced from time to time in India. Of course it is possible that in a comparatively speaking new country the growth of capital does not keep in the same proportion as the demand ; but the

fact remains that a highly developed banking country has greater facilities for obtaining the same. The cheapness of capital is therefore of great importance to this country, because it stimulates enterprise and enables us to compete successfully with other nations.

Another satisfactory feature in our case is that the fluctuations in the value of capital are not great.

At the present time, when commercial transactions are based upon small profits, the rise in the money value, that is, the rate of interest of even 1 per cent, has an important effect upon commerce, because such increase might destroy the profit on contracts based on a uniform medium rate.

The tendency of modern banking is towards a moderate and uniform rate of interest for loans, which is most desirable to the trading community. The growth of banking facilities is shown in the accumulation of capital; for example, in 1873 the capital and deposits of our banks amounted to £500,000,000, whereas in 1898 the total was £1,000,000,000. From this we observe that the banking resources of the country have doubled in twenty-five years; this vast sum is concentrated and somewhat under the control and management of the various banking institutions. Of course it is highly important that capital should be utilised for legitimate enterprises, and that rash and hazardous speculations should be discouraged by those who have the control of such capital.

This accumulation has been obtained principally by the multiplication of branch banking establishments throughout the country, and which have brought facilities of banking to our very doors. There have been established in the last twenty years nine hundred new branch banks, and consequently a material increase in banking resources has naturally followed; although in England banking facilities have increased in recent years, yet they are not equal to Scotland, where banking is brought more prominently before the people of that country.

The increase of banks in Scotland is as follows, viz.,

1883,	10	banks	with	912	branches.
1896,	10	„		1015	„

This, in comparison with an estimated population of 4,182,868, shows one bank for every 4,121 inhabitants. In England there was, in 1883, one bank to 11,135 inhabitants, whereas in 1898 the branches had increased to 4,105, showing one bank for every 7,065 inhabitants.

No doubt there is room for a greater expansion of banking facilities in this country, when we consider the growth of population, as well as the increase of our commerce, and the present banks are fully alive to the situation and are opening branches in localities where they are needed; but in order to carry on this great work a large working capital is needed and this at the present time amounts to £200,000,000. This appears to be a large amount, but when we realise that the banks

owe the public £800,000,000 which is practically payable on demand, it is desirable that the capital employed should be large.

At the present time, attention has been drawn to the amount of actual cash held by the banks against such huge liabilities. From a return published by *The Economist* of May 17, 1899, the actual sum held was £52,000,000, but it is desirable that it should be increased, when we recollect that a greater portion of the capital held is repayable on demand; another curious fact in connection with the case is, that no bank holds any definite amount of cash against its liabilities. According to the last returns of the London banks, the proportion held varied from 11·64 per cent. to 27·45 per cent.

The movements of gold have a considerable bearing on banking facilities, because the variations in the rate of interest are somewhat dependent upon the amount of coin held by the Bank of England, the final reserve for such payments, and as our trade is conducted partly on the principle that capital may be borrowed from the banks at a uniform rate of interest, such variations have an important effect. We can therefore easily understand how violent fluctuations in the rate of interest have a material effect upon commercial transactions.

For many years in this country capital has been available for legitimate financial operations at a fairly uniform rate, and this is of immense importance to the trading community, but the banks could not have transferred capital so quickly without the machinery necessary for such purposes.

The formation of Clearing Houses has been of immense service to the banks, because transfers of capital can be made at a small cost without the medium of specie which is somewhat costly when utilised to a great extent for the liquidation of debts. We might take the London Clearing House as an example of the work done in the transfer of capital.

The daily, monthly, and yearly totals for 1898 were as follows:

Daily	£23,173,800
Monthly	674,774,000
Yearly.....	8,097,291,000.

The enormous increase in the cheque transactions of this country has entailed a large amount of clerical labour in the banks, but in recent years this has been considerably reduced by the use of Burrough's registering machine, which enables the amounts of cheques to be printed on slips of paper and also records the casting of any number, so that the total value of cheques received from the Clearing House can easily be ascertained.

Clearing Houses have been established in several large provincial towns, and it is desirable that they should be increased, because as banking facilities are extended it is obvious that a clearing or some other method should be adopted to simplify the work; at present a vast number of cheques drawn upon country banks are sent to London

for the purpose of being liquidated in London through the medium of the Clearing House, but if such cheques could be dealt with at a provincial centre a considerable saving of time in the collection might be avoided, and the balance could still be paid by means of a draft on the London Agent.

Bills of Exchange form an important part in banking facilities, because they are not only utilised for the payment of debts between individuals, but also for the liquidation of the balance of trade between various nations. Again they are a medium by which a merchant can obtain capital at once from a bank if he holds these credit documents, because such institutions will purchase bills on payment of interest, so that the merchant becomes at once in possession of capital for the requirements of his business.

In recent years there has been a tendency for bill transactions to decrease, partly because of modern trade being conducted on a cash basis, and also in consequence of improved methods of communication, a more rapid system has been found necessary.

We might say that modern cash transactions are based upon immediate results, brought about by the use of the electric telegraph; our daily papers give us the quotations of the prices of commodities and stocks in the various markets of the world, so that it is possible to buy goods in one market, and sell them in another at a profit, or goods can be bought in a distant market and paid for by means of telegraphic transfers. With reference to such transfers, Mr. Birch, a former governor of the Bank of England, said¹ that "formerly the banks and great commercial houses in the East, in the United States and elsewhere, took as they do now the ordinary trade bills, *i.e.*, drafts against documents of consignments and such like, at six, four, three and two months, at the ordinary usance, and any one requiring first class clean bills for remittance either for the purchase of commodities or to cover credits or other purposes would apply to these banking institutions, who would give bills also at usance, thus there were running two sets of bills representing one commercial transaction. "Now these banking institutions continue to take these trade bills as formerly, but instead of drawing at usance, they give telegraphic transfers which enables a merchant in Hong Kong, or in New York, or in any other part of the world, to calculate exactly the cost of his operation just as if he were sitting in London, no question of discount of bill stamp or other expense or whether the bill be a good one. He can balance his operation just as well at these distant places as if he were sitting in Lombard Street."

Financial operations conducted by means of telegraphic transfers are sometimes on a large scale, especially when fluctuations in the value of commodities are taking place. For example, in the stock

¹ *Journal of Institute of Bankers*, vol. viii.

markets, the prices of American shares are cabled from New York to London and every fluctuation of one-sixteenth in value is known at once, so that the broker here can purchase shares and sell them the same day in New York. It is not an uncommon operation, that shares of the value of several hundred thousand pounds are thus paid for on a Stock Exchange Settling Day, and through the medium of banks—shipped to New York. Immediately on arrival the sum paid for the said shares is transmitted to London by means of a telegraphic transfer, and such operations would cause fluctuations in the exchanges between the two countries.

Again transfers of capital between various countries are effected by the same means, so that a merchant living in New York, but who has a drawing account with a London bank, may pay a sum due in Paris by instructing a New York bank to cable the amount to its agents here, who procure a draft on Paris for the said purpose; or through the medium of the London agency of a French bank, the sum can be transmitted by telegraph.

In the Eastern trade telegraphic transfers are largely used, so that debts due in India in rupees can be liquidated by such means, and the Indian Government, which has large payments to make in sterling here, can sell drafts against the balances held in rupees at Calcutta Madras, or Bombay.

The amount of bills and telegraphic transfers sold from April 1, 1900 to February 16, 1901, was Rs. 15,77,05,965 and realised £10,504,200 which shows the amount of commercial transactions settled in this manner between these two countries.

It appears that more telegraphic transfers are effected from abroad, but it is possible that the balance of trade may to some degree account for the difference, although in the case of America it may be due to greater activity in business methods.

If we take the deposits of some London banks which transact business with American houses at £29,000,000, the amount of telegraphic transfers between the two countries would be about £12,000,000 representing the transactions settled in this manner, but on the other hand, the amount of business settled from this country would be comparatively small. With regard to the Australian colonies; there would be no stock transactions, so that telegraphic transfers would depend upon the value of money, the merchant having to consider whether it is cheaper to obtain a sixty days draft on London, or settle the transaction at once by obtaining from the bank a telegraphic transfer.

In order to arrive at an estimate of the amount of such transfers, we might take the deposits of three important Australian banks at £51,000,000, the amount of business transacted between Australasia and England by means of cablegrams would be about £14,500,000, but telegraphic transfers from the home country would be small, in fact

similar to those between England and America, the amount of such transactions for the Australian trade being about £1,925,000.

We can at once see the importance of cable transfers in settling international indebtedness, and there is no doubt that with the introduction of new cables and cheapening of rates we shall witness a great development in such business methods.

As bills of exchange are to some extent being superseded by cable transfers, so in a similar manner cheque operations are economising the use of gold, so that the cost of transmission of that metal from one place to another is avoided. Again the use of the cheque is having an important effect upon the note circulations of this country, and this is strikingly illustrated by the country note issue. When the famous Bank Act of Sir Robert Peel was passed in 1844, the country note circulation was £8,170,000, whereas the latest return amounts to only £1,253,000.

Although the diminution is partly caused by amalgamation of banks which forfeit their issue on so doing, yet the fact remains that the cheque is gradually taking the place of the note. Of course Bank of England notes being a legal tender, there is naturally a tendency for the circulation of such notes to increase, but if we take into consideration the growth of population as well as the increase of wealth the Bank of England note does not increase in the same proportion as in former years. For example, the note circulation in 1872 was £25,540,000, whereas now it is only £29,100,000 (January 1901).

We have already referred to the multiplication of branch banks as the means of obtaining large deposits, but it has also enabled such banks to increase banking facilities. In the year 1872 there were 120 places in England with populations exceeding 4000 which were without banking accommodation; again nearly half of the new offices have been opened during the last 25 years, and a sixth within a corresponding period of years. These branch establishments enable money to be transferred from one place to another without the transmission of gold or notes.

In Germany, the Reichsbank gives every banking facility, so that a person who has not a banking account can pay money to the credit of another person in a distant part of the empire; this is a great convenience when we remember that the bank has branches throughout the country. It is stated that cheques are drawn for one dollar in America, and that banking facilities are rapidly increasing in that country, where the banks not only transact ordinary banking business, but also act as trustees and exchange brokers.

There is no doubt that we shall see in this country a further development of the cheque system, and the recent returns from the London Clearing House show a large increase. The cheques sent to London by country banks to be cleared are as a rule for small amounts, a large number being for sums below £5, and the increased use of the

cheque in the provinces must therefore tend to economise the use of notes and gold in commercial transactions.

Banking facilities are now within the reach of all classes, because on payment of a small annual fee the privileges of a banking account can be obtained, one of the advantages being that all dividends on stock can be collected by the bank, so that the risk of transmission of dividend warrants to the stockholder is avoided.

This operation is advantageous to the banker as well as to the stockholder; for example, the Bank of England, which pays the interest on the National Debt, does not issue dividend warrants to bankers, who have to collect the same on behalf of their customers, but simply credits their accounts with the total amount to be received by them. By this means, the printing of at least 20,000 dividend warrants is obviated. In a similar manner, the large railway companies send to the banker one cheque representing the interest due to a large number of stockholders, and there are other advantages to be derived by means of a banking account.

Such facilities form an important part in our daily transactions which necessitate the payment of money through the medium of banking institutions. In order to extend such operations, it is desirable that there should be mutual co-operation which would be of great benefit to the community.

For example, cheques might be issued on payment of a small fee at any place where a branch establishment existed, and made payable at any town where a bank was established.

A comparatively recent banking facility has been removed by the liquidation of the Cheque Bank, which the late Prof. Jevons described as "a most ingenious innovation, and [which] if successful cannot fail to benefit the community in a high degree, adding a new feature to a banking system already wonderfully organised."

The cause of its failure has been attributed to forgeries of cheques abroad, where they had been accepted in payment for hotel bills, railway fares and other small payments, and also to the increased competition of the Post Office by means of postal orders.

It is somewhat unfortunate that a useful organisation like the Cheque Bank has ceased to exist, and it seems a favourable opportunity for the London banks to issue cheques on payment of a small commission, in order that the present banking facilities should not be curtailed. The working expenses for conducting such a business would not be great, and the banks by co-operation would have additional facilities for preventing forgeries, both here and on the Continent; if the Post Office can issue a large number of postal orders for small sums at a profit, it is manifest that banks with better machinery should be able to transact such business, not only for their own advantage, but also to that of the community at large.

With increased facilities and co-operation on the part of the banks

in this country, we feel confident that they will become institutions of greater value, and contribute largely to the national prosperity.

H. T. EASTON.

WOMEN AS TELEGRAPHISTS

Most of the larger and many of the smaller administrations allied to the Postal Union employ women as telegraphists or telephonists. The progressive diminution of the mean profit from telegrams, due to the decrease in the tariffs, and the continual public demand for further cheapness, have pushed postal authorities of all countries to seek some means of reducing the cost of the service. In fact, the question of economy would seem to have been the main reason for the experiments with female labour in practically all cases. And in general, the result has been satisfactory, and a saving is stated to have been effected. In England the introduction of women appears to have been facilitated by another influence. When Mr. Scudamore first caught from the Telegraph Companies the idea of employing women, he saw in addition to their cheapness, that the plan offered another advantage. Women simply required a nomination for admission to the postal service, and their employment on a larger scale opened up a light and relatively remunerative occupation for the female relatives of postal officials. There is little doubt that this prospect secured some support to the scheme among the colleagues of Mr. Scudamore. In Germany the first introduction of women as telegraphists, between the years 1874 and 1877, seems to have been assisted by what the administration describes as "lack of male staff." It is not stated what was the cause of this lack. In Sweden another motive assisted—the primary attraction of cheapness. In 1863, the Swedish States-General sent a humble address to the king, drawing his attention to the fact that the number of women in the kingdom of Sweden largely exceeded the number of men, and consequently a large number of women were cut off from their natural vocation, marriage. The States General were of opinion that the duty of the State was to find employment for these women. The Swedish Government, without admitting its responsibility, agreed that exceptional cases might arise, and directed the Telegraph Administration to arrange for the admission of women. Allied reasons are officially stated to have weighed with the Government of South Australia.¹

There seems little doubt that a still further consideration with many of the administrations has been the relative docility of the women.

¹ *Journal Télégraphique*. XXIII^e. Volume. No. 10. "L'Administration de l'Australie méridionale y voit, pour le nombre toujours croissant de filles non-mariées, la possibilité de gagner décentement leur vie."

In England and France the women are practically unorganised, whilst the men have followed the general tendency to form unions for the protection of their interests and the improvement of their position. The Italian Administration describes this quality of women thus: "The women do not generally concern themselves with political questions, and are strangers to the struggles of parties and interests. This endows them with the best qualities requisite for the telegraphic service, namely, patience, discipline and application."

Such are a few of the stated reasons which have led to the employment of women in the various Telegraph Administrations of the world. So widespread has become this employment that of the forty-seven Administrations of the Union, no fewer than thirty-five actually employ or have employed, women as telegraphists and telephonists. The European Administrations employing women are: Germany, Austria, Belgium, Bulgaria, Denmark, Spain, France, Great Britain, Hungary, Norway, Portugal, Russia, Italy, Holland, Roumania, Servia, Sweden and Switzerland. The extra-European Administrations employing women are: South Australia, New South Wales, Queensland, Victoria, Cape Colony, Cochin-China, the Portuguese Colonies, Dutch Indies, British Indies, Argentine Republic, Japan, Ceylon, New Caledonia, Senegal, Tasmania and New Zealand. Women are excluded from the following European Administrations: Bosnia-Herzegovina, Greece, Luxemburg, Montenegro, Tunis, and Turkey, and from the following extra-European Administrations: Egypt, Natal and Siam. It must however, be added that Belgium has renounced completely the admission of women since 1889, so far as the telegraph service is concerned, and female telegraphists are a moribund class in Germany. The reasons for this suspension of employment will be referred to later.

In America the Telegraphs are not under the State, but are administered by private companies. The Western Union Telegraph Company which is the largest of these companies employs women as telegraphists, but I have no information as to their efficiency. The Eastern Telegraph Company also employs women in its London office, but not as operators.

It will be seen that the profession of telegraphist is practically world-wide and the employment of women is sufficiently general to promise important results. This promise is justified when we examine the facts available. It will be of advantage in discussing the questions to select the experience of a state yielding fairly typical results, and then to examine how far the experience of other states confirms these results, and in what respect they differ.

Reporting its experience to the International Bureau in 1899, the English Telegraph Administration said: "Generally speaking the women are as efficient as the men, but they are more frequently absent for sickness, and their number is limited because they are not eligible for night duty; in addition their pay is about twenty-five per

cent less than that of the men.¹ In short the employment of women offers great advantages." This report is somewhat cryptic, unless read in conjunction with other utterances by responsible officials. It will be seen that the chief causes of inefficiency stated are large sick-absence and what may be termed a lack of adaptability to the requirements of the service. Under the regulations of the English Service the duty of the women must be performed between 8 a.m. and 8 p.m.² Although liable under the terms of their engagement, to perform Sunday duty English female telegraphists are in practice practically exempt from this duty. But the passage: "Generally speaking the women are as efficient as the men," requires some elucidation before it can convey a precise meaning. Ordinarily women are employed on the minor wires of the larger offices or on the less important duties of any office. What is apparently intended is that women perform the duties allotted to them as efficiently as men perform the same duties. On this point the evidence of Mr. (now Sir) H. C. Fischer, the late Controller of the London Central Telegraph Office, given to the Playfair Commission, is instructive. "I think," he said, "an average male clerk is superior to an average female clerk. There is no duty which a female performs better than a male. There are duties which they perform equally well, for instance working minor circuits. This work is now left principally to them in the Central Office." There is some further testimony to the same effect of a considerably later date. On October 23rd, 1893, the Postmaster-General appointed a committee to "inquire into the work of Telegraphists and their supervisors." This committee consisted of expert officials who had every possible facility for minute inquiry and they set about their work with a very large experience and knowledge. Their opinion is therefore of the highest value. On May 4th, 1894, they reported as follows on the question of the employment of women. "Testimony has been very generally given in favour

¹ The following is from a Parliamentary Return, dated June 9, 1893. Average mean wages, excluding special allowances:

Class.	Average Mean Wages in			
	1872.	1891.	1890.	1897.
Telegraphists (Men)	s. d. 27 4	s. d. 32 8	s. d. 35 5	s. d. 38 9
Telegraphists (Women)	17 11	23 10	25 8	26 0
Sorting Clerks and Telegraphists (Men).	22 9	28 7	31 3	33 7
Sorting Clerks and Telegraphists (Women)	18 9	19 11	21 5	23 0

² *Journal Télégraphique*. XXIII^e. Volume. No. 8, p. 180. 25 Aug. 1899. 'Grande Bretagne.—Il est de règle que les femmes ne soient pas employées avant 8 heures du matin et après 8 heures du soir.' We shall find reasons for qualifying this official statement later.

of the work done by women. While it is held that they cannot well be employed at "Y.Q." (News) wires, at stick-punching, or on night work, it is admitted that at all the ordinary duties of a telegraph office they are as useful as men; and that the department would gain financially and not lose in efficiency if their employment were considerably extended." The net result of these authoritative opinions appears to be that women perform the duties allotted to them as well as the same duties are performed by men. It must be pointed out that the work on "Y.Q." (News) wires mentioned above is work involving considerable physical strain and makes some heavy demands on the powers of endurance, whilst what is known as "stick-punching" is also closed to women merely on account of lack of muscular strength and not from any intellectual shortcoming.

It is interesting to note how the experience of the English administration as thus set forth has been confirmed by the other Telegraph administrations. Thus the Austrian administration "finds that women make tolerably clever and well disciplined servants, and are not inferior to men in all the occupations more or less mechanical." Belgium reports that: "The major portion of the female staff exhibits the aptitudes and intelligence required for telegraphic work, notably for the manipulation of the apparatus, without however displaying any special or particular qualities which are not found at least in an equal degree among men." Evidence of practically the same character is given by Bulgaria, Denmark, Italy, Spain, Hungary, Holland, Roumania, Servia, Switzerland, Japan, New Zealand and all parts of Australia. Italy qualifies her opinion by the remark that "only a few have succeeded in exceeding, or even equalling, the skill of good male telegraphists." The experience of France deserves a larger share of attention. The Budget Sub-Committee of 1895, in recommending an increase of female labour in the French Post-Office dealt at some length with the relative value of the work of the two sexes. "Many women," said the report, "have proved themselves to possess qualities of zeal, intelligence, and activity, under circumstances when their duty has been arduous and difficult, and have carried out the counter and postal work with eminently satisfactory results. In other cases it has been found necessary to retain them permanently in inferior positions."

So far there is abundant evidence that in the lower or routine class of work women compare favourably with men. There is a fairly unanimous opinion that women become fatigued more quickly and are incapable of long-continued strain. The next question, however, in order of importance seems to be how far women have been successful when placed in a position to perform duty of a higher than mere routine kind. In Italy women are employed for the most part as *auxiliaries*, but in each office two of their number are chosen as *assistants* for the performance of the work of supervision. In order to secure such a position the women must pass an examination in the Italian and French languages, Arithmetic, Physical Geography

Physics and Chemistry, Political Geography, the theory and practice of Telegraphy, and the regulations of the service. They are then appointed to the establishment, and in order to secure as lengthy a service as possible, permission is given them to marry without quitting the service. Despite the fairly broad academic education which they possess, and the other advantages detailed above, this higher class of women employees is stated by the administration not to come up to expectations. They are found to be lacking in authority over their staff and unable to respond to heavy and sudden requirements of the service. From exhaustive inquiries which I made on the spot in 1899, they would appear to be lacking in judgment and decision, and unable to apply effectively the technical knowledge they possess. The chief of one of the largest offices in Italy said to me, "They want as much looking after as the staff themselves."

From France the report concerning women in the higher grades of employment is equally unsatisfactory. "It is a matter of reproach," says M. Mesurier, in the Report of the 1895 Budget Sub-Committee, "that they cannot answer all the questions put to them, and it must be noted that they possess no technical knowledge, and frequently become confused in face of the innumerable details of the complex service in which they are engaged. Another objection is that the postal operations are not performed so rapidly by women as men. . . . The employment of women is perhaps advisable and useful on condition that they are chosen with discernment, according to their aptitudes, and the importance of the duties to be confided to them, but a selection is imperative." The result of the experiments of the Austrian administration is practically the same. "Women," runs its report, "have not sufficient energy to obtain authority over other persons, and the surveillance of women is always entrusted to men chosen specially for this task."

But the English experience appears to be better. Women are largely employed in the English service on supervising duties, and would appear to give every satisfaction. Their supervision is mainly confined to their own sex, and although the discipline in their sections is less severe, less unbendingly mechanical, than in the male sections, it would appear to be well suited to their staff, and calculated to promote good working. They are not, however, left in sole control, a number of their sections being under the further surveillance of a male superintendent, upon whom the higher duties of organisation and management devolve. One of the divisions of the Central Telegraph Office, in which practically all classes of ordinary telegraphic work are performed, and in which the wires are of considerable importance, is staffed and supervised entirely by women under the further surveillance of a man. Even the minor technical service is performed by a woman. It is admitted that the staff is a picked one, but the results obtained are stated to compare even to the disadvantage of the average male division. This notable instance proves beyond dispute that the best

telegraphic work can be performed by women, and that a great deal of the work of supervision and management can be safely left to them. The evidence on this point is meagre, women being in most countries confined to the lower duties without chance of proving their capacity in the higher grades. The testimony so far as it goes is hardly encouraging, but I think it proves that a number of women are capable of something more than mere routine duties, and that the number is increasing. So far as my observation has gone, this higher capacity seems to run hand in hand with a wider entry into public life. The English girl is more free than the Italian or French¹ girl to move and interest herself in worldly affairs, and the traditions of her race give greater encouragement to this course. By this means she gains in business capacity and judgment and becomes a more useful servant to her employer. Whether this gain will compensate for losses in other directions it is impossible yet to say, but it is certainly worthy of note that a broader experience and riper worldly education seem to remove one of the causes of inferiority in woman's work, and would perhaps tend to remove others that are regarded at present as inherent. Even so small an indication of a possible extension of the sphere of woman's endeavour is valuable and suggestive.

Let us pass now to another aspect of the case. The chief stated reason for the employment of women in all countries is their cheapness. The English administration declares that women are twenty-five per cent. cheaper than men. This economy requires proof. There are factors which seem to reduce, if they do not entirely swallow up, this saving in money wages. The French Budget Sub-Committee's Report of 1895 hints at these in the following words: "Certain opponents of the employment of women have expressed the opinion that the expenses of replacement, necessitated by the leave granted to women on account of fatigue and sickness, will swallow up the saving consequent on their lower salaries, and further it is always necessary to replace a male staff by a much larger number of females." It is noteworthy that in the same year as the issue of this report it was proposed to make the following conversions: 262 male appointments at a mean salary of £90, into 325 female appointments at a mean salary of £56, and two further numbers, of which the salaries are not stated, as follows: 61 male clerks' appointments into 128 female appointments, and 263 male appointments into 423 female appointments. No evidence is forthcoming from other sources² upon this point, and it would be

¹ An eminent French telegraph official told me that one of the chief defects of the women employed in the French telegraph administration was their ignorance of the current topics of public interest and a certain lack of business aptitude. The latter part of this statement conflicts somewhat with the common observation of foreigners in France, that women are frequently more businesslike than their husbands.

Mr. Havelock Ellis says of post office women in England: "When women are substituted for men, an office worked by three or four men will require four

of the highest interest to know how far the experience of France is confirmed. Should it be the universal experience, there is evidently a very large deduction to be made from the apparent money saving. It is certainly the duty of the State to give the fullest information concerning the relative individual output of the male and female worker. This is a matter of interest not only to the State departments employing women but to employers at large and women in general.

Another factor which tends to increase the actual cost of the employment of women is the necessity of having at each office where they are employed two sets of lavatories and cloak-rooms. In England this factor has materially retarded the extension of female employment. In some of the smaller offices it has prevented it altogether. The expense of installation and maintenance of these separate offices must always be set off against the money saving effected by the lower wages of women.

There is abundant evidence on another matter that detracts very considerably from the value of women as workers, namely the large amount of sick-absence. Every State which has expressed an opinion on the point complains that the women's sick-absence is greatly in excess of the men's. The English experience is typical of the whole. In the Central Telegraph Office of London the average sick-absence for the men during 1895 was eight days, that for the women being 14·3 days. To take a wider field, the Annual Report of the Postmaster-General for 1900 shows the averages for the whole Postal Staff in London as follows:

Average per sick officer.		Average per officer employed.	
Men.	Women.	Men.	Women.
12·9	14·2	8·1	11·4

It is noteworthy that some eighty per cent. of the women share in this sick-absence as against 62 per cent. of men, and it is made up largely of short periods.¹

Following upon the same theme of the natural disabilities of women, is the universal testimony that they suffer more than men from fatigue, and do not exhibit anything like equal powers of long-continued endurance. The Danish Government says, "the work seems more fatiguing." The Dutch Government says, "they are inferior to men in point of

or five women, chiefly, it seems, because it is not considered safe to leave a woman alone at any time."—*Man and Woman*, p. 184.

¹ The Dutch figures are sufficiently striking to merit quotation. During the year 1897, for sick absences of from 1 to 30 days' duration, the ratio between the male and female staffs was as 1 to 2; for sick absences of from 1 to 3 days' duration the ratio was as 1 to 3.

Sir H. C. Fischer, examined by the Tweedmouth Committee, said: "The women come to us young; their mothers have charge of them and ask them to stay at home if they have any little ailment—and they do." It is necessary to add that the regulation age of entry is the same for men and women, viz.: fourteen years, and the average age of entry is also the same, viz., about sixteen years.

endurance." "They are quicker to tire than men," says Roumania. Sweden, again, says: "They are inferior to men in endurance when it comes to a question of forced work." In England the authorities make the same complaint against the women that they are more liable to fatigue. Following on this pronounced lack of endurance, women are almost universally employed upon the lighter class of work and during chosen hours of the day. We shall see presently that the choice of hours of the day does not seem necessary. In England, as already stated, the women are mainly employed upon those wires which have a steady flow of easy monotonous work, the heaviest wires, working to large towns, and involving the manipulation of complex code and cipher messages, being staffed by men. Press work, in which it is necessary to write large numbers of copies with the aid of carbon blacks, is performed in London mainly by men, although in the provinces, where a smaller number of duplicate copies are needed, women sometimes transcribe these messages. The heavy rapid work of race meetings is done entirely by men. Some years ago a picked staff of women in London did the racing work, but were later on entirely replaced by men. In France it is recommended that women should not be employed "in those offices situated near railway stations, where at the time of the departure of the mail-trains there is a great increase of work, to which the natural nervous organisation of women is unable to adapt itself. In every place, however, where the work is regular and equal, the substitution of women appears to cause no inconvenience."¹ This seems to sum up fairly well the experience of every administration.

Steady work at low pressure, and more or less mechanical in character, necessitating little or no judgment, seems to be admirably performed by women, but where those conditions are lacking they are generally found inferior to men. The lack of judgment may be due, as I have hinted, in part at least, to educational disability, but there seems to be something more fundamental in the inability to work at high pressure.

There is a disability which is mentioned by nearly every state as detracting from the value of women, namely the inability to perform night duty. Although it is accepted in most countries as an inherent and natural disability, it does not appear on examination to be much more than the result of an artificial social prejudice. The English women telegraphists are employed only between 8 a.m. and 8 p.m., a few being kept until 9 p.m. in the summer months. There are a few instances in the provinces of women working until

¹ Cf. Havelock Ellis, *Man and Woman*, p. 2: "The tasks which demand a powerful development of muscle and bone, and the resulting capacity for intermittent spurts of energy, involving corresponding periods of rest, fall to the man; the care of children and all the very various industries which radiate from the hearth, and which call for an expenditure of energy more continuous but at a lower tension, fall to the woman."

10 p.m., and some counterwomen work until 10 p.m. in the suburbs of London. In Paris women telegraphists work between 7 a.m. and 9 p.m. In Berlin the ordinary duties of women extend to 10 p.m. Ten o'clock would seem to be the extreme limit set by social propriety to women's work in England, at any rate, so far as Telegraphy is concerned. Yet with women employed as night nurses, it is impossible to regard this limit as a natural term to women's endurance. The expression used in the report of the Swiss Government appears to set the objection on its natural basis. "Their physical constitution does not permit their employment in the technical service and good morals forbid their employment on night duty." The ordinary work at night seems nevertheless to be specially suited to women's abilities. It is steady and at low pressure, which we saw were the qualities best adapted to the requirements of the sex. I feel convinced that the inability of women to perform night duty is merely an artificial and social one, and one that could be surmounted. These considerations indeed led the Dutch Government in 1899 to include night duty among the duties of women and the result appears so far to justify its action. Even the Swiss Government despite its careful observance of "good morals" with regard to women telegraphists, places its telephone switchrooms at the large offices in charge of women during the night. It is to the interest of women themselves to overcome this prejudice that so seriously hampers their employment, and so remove one of the barriers to the extension of their working sphere.¹

There is another very serious cause of relative inefficiency among women. Their service is always much shorter than the service of men. In most countries it is compulsory that they leave the service of the State on marriage. Even in those countries where resignation is not compulsory it is the custom for them to do so. This reduces very greatly their value, inasmuch as they seldom remain long in employ after attaining to full experience and skill as manipulators. Many indeed, never reach the full flower of their ability. The service is regarded as a prelude to marriage, and the work is not undertaken *con amore*. There is a distinct lack of desire to excel, which militates against the highest efficiency. The number of women in the English postal service who retired on marriage during 1899 was 196, with an average age of 27, and an average service of between eight and nine years. In Belgium the average service of women leaving the service for marriage and other reasons is only about five and a half years, although retirement on marriage is not compulsory in that country.

¹ Since this was written an official statement has been made in the House of Commons which seems to show that the English administration has determined to follow to some extent in the footsteps of Holland.

On March 28 Mr. A. Chamberlain said, in answer to a question: "As a general rule, female sorting clerks and telegraphists are not required to attend for duty before 6 a.m. or later than 10 p.m.; but where local conditions are favourable it is sometimes not thought necessary strictly to adhere to these hours."

In France where retirement is not compulsory it is stated that marriage detracts from the value and trustworthiness of the women. Domestic cares and absorption in the attendance on their children remove interest and energy from their office work, which very naturally takes a secondary place in their minds. The comparatively short experience of some administrations makes the statement of mean service of doubtful value; but enough evidence exists to show that there is a continual drain of women from the service at a time when it is reasonable to suppose that they are of the greatest use to the State. In addition to this the near or remote prospect of marriage must distract the intelligence and attention of women workers in a way that is antagonistic to the highest efficiency and devotion to their employer.

To sum up: we have seen that women possess the ability to perform the routine duties of telegraphy when carried on at low even pressure, as efficiently as men. We have seen that a broader worldly education gives them the judgment and ability necessary to perform duties of a higher character. In addition, they are attractive to employers because they can be obtained considerably cheaper than men. They possess too, the sovereign advantage of docility. There are not lacking signs, however, that this docility will decrease as women become more conscious of their economic value and responsibilities.

As a set-off to their attractive qualities they suffer from certain disabilities and disadvantages which detract from their value, and tend to neutralise the economy in money wages. They would appear to have a lower individual output than men, and as a consequence it is necessary to employ a larger staff of women than of men for the same work. They suffer much more from sickness than men, which reduces their trustworthiness and value. This sickness is largely due to causes that are natural and inherent, and therefore ineradicable. Their average service is considerably shorter than men's, and they are thus lost at the period of their higher efficiency. They possess less powers of endurance and are therefore of much less value in sudden emergencies, such as frequently arise in telegraph work. A social prejudice prevents the performance of night duty by women, although there seems reason to believe that this can, and will, be overcome.

Administrations differ in the value they set upon these various qualities, and the resulting decisions are consequently different. The majority of administrations speak strongly in favour of female employment, but do not give the details of the reasoning which brings them to this conclusion. Weighing up the evidence which is to hand I think we must be forced to the conclusion that the factor which turns the scale in favour of women is their docility. Doubtless the authorities are influenced to a considerable extent by the necessity of justifying themselves in adopting female labour. But after allowing for this influence, there does not seem sufficient reason for the very general

declaration in favour of women unless we allow a tremendous value to their docility. I feel quite certain that this characteristic of women is exceedingly attractive to busy administrative officers. With a male staff, torn and agitated by the labour upheavals going on around them, there is doubtless much unrest and troublesome worry. Women are not so much affected by these disturbances. If this does not weigh as heavily as suggested it is hard to understand the present position of heads of departments.

As illustrating the attitude that the remaining considerations are not so conclusively favourable, I will give an instance of a State that has boldly declared the experiment to be unsuccessful. Belgium has since 1884 been gradually brought to the conclusion that the employment of women is a distinct failure. In that year the employment of women in railway offices at the large stations was abandoned because of the exigencies of the service in such offices. The night duty, the tremendous rushes of work, and other circumstances required work at high pressure, and under such conditions women proved of less value than men. Their employment was continued elsewhere however, as for example in the central town offices. But here also the inferiority of women asserted itself. They were found to be unable to perform long-continued work at the counters, or the reception of telegrams dictated by telephone subscribers. They could not be shifted rapidly from point to point or office to office, as the pressure of the work shifted. They could not be relied on for irregular work to meet the irregular needs or sudden emergencies, and they were more frequently ill. So the Belgian State decided that female labour was incompatible with a service seeking to give the best results to the public, such as moderate tariffs and celerity in transmission, without too large a financial sacrifice, and in 1889 the recruiting of women for the telegraph service ceased entirely. Germany is still undecided, and reserves its opinion on the value of female telegraphists, but meanwhile no more are being admitted to the service. A smaller administration, Senegal to wit, has abandoned the employment of women for practically the same reasons as Belgium.

In conclusion, there is undoubtedly an excellent field for observation in the English Post Office, and many good results could be looked for if information were carefully collected, intelligibly classified, and frankly published. In view of the importance of the subject it is due to the public that some such work should be entered upon. Meanwhile our investigation of the material at hand, whilst bringing out many important facts, still leaves the main question of the relative value of male and female labour in the present day, to a large extent unsettled. But one result seems quite certain: 'Were it not for the docility of women there is no sufficient reason apparent to justify the favour with which they are viewed by administrative officers and others responsible for their employment.

CHARLES H. GARLAND.

BOUNTIES ON THE EXPORT OF CORN BEFORE THE FRENCH PARLIAMENT.

THERE is in France, as in other agricultural countries, an agrarian party, and, as in other countries, it is possessed of a remarkably strong appetite for protection. Setting up agriculture as the pre-eminently national pursuit, it claims for its idol an almost unlimited amount of favours and privileges. A few lines on the recent attempt to revive, under a modernised shape, the old system of bounties on the export of corn may be acceptable to the readers of the JOURNAL.

Since 1883 the French Government has not been sparing of assistance to agriculture. In that year the latter obtained for corn an import duty of 3 francs per 100 kilos, which was increased to 5 francs in 1887, and to 7 francs in 1894. With a short interruption of a few months in 1897, the duty of 7 francs has ever since been and is still levied on any introduction of foreign corn; the amount of this duty corresponds in fact to a protection of from 30 to 50 per cent. *ad valorem*.

But the object of this legislation has periodically been defeated by the steady increase of agricultural yieldings, an increase originally announced and presented as a *desideratum* by the promoters of protection; within the last ten years the average quantity of wheat produced on an *hectare* of land has risen from 1185 kilos in 1889 to 1449 kilos in 1899 (say 22 per cent. more), this increment being mainly ascribed by competent authorities to the spreading use of commercial manures rich in phosphoric and nitrogenous matter. This progression has not even reached its climax, for other countries not more favourably situated than France succeed in extracting by far richer harvests from their corn fields. But, leaving aside future prospects, this already realised augmentation has secured a reduction of the cost of production, which, under the pressure of internal competition, has to a considerable extent neutralised the action on prices of the existing protective tariffs. *Inde irae et lacrymae*.

Disinclined to trace the fall of prices to its real cause, the agricultural interest has perseveringly endeavoured to connect it with two other causes: the first being, in their opinion, the manœuvres of jobbers and speculators; and the second, the French official system of *admissions temporaires*, by which the import duties on foreign raw goods are returned when they are re-exported after having gone through a course of industrial manipulation. For corn, the importing miller undersigns a document called *acquit à caution*, and if before the term of two months legally equivalent quantities of flour are exported either by himself or by another miller, his obligation towards the Treasury is discharged. Corn is mainly imported by the Mediterranean; Southern France is not a corn-growing country, so that the imported corn is absorbed by the local consumption. In order to

evade, however, as much as possible the payment of the 7 francs import duty, the importing miller offers his *acquit à caution* with a reduction of 3 or 4 francs to a brother in trade of the Western, Northern, or Eastern provinces, where a surplus of corn is grown; the transaction being concluded, the agrarians complain that the import duty has not had its full play (*le droit n'a pas joué*). Their real aim would be to obtain the complete abolition of the *admissions temporaires*, but being aware that, presented under this absolute form, their grievance would remain unheeded, they imagined a round-about way, and notwithstanding the opposition of Government, a Bill was presented to and voted by the Chamber of Deputies, the first enactment of which runs as follows :

"Until the 31st of March, 1904, for every export of corn or of flour, whatever may be its origin, the Customs will deliver an import bond (*bon d'importation*) stating

"1. The quantity and net weight of the article exported.

"2. (a) For corn, the amount of the duties which would be due if this quantity were imported; (b) for flour, the figures mentioned in clause the 4th. These figures represent the value of the bonds. The bonds may be used by any bearer for the payment of Custom Duties on coffee, tea, cocoa, and corn."

This text can hardly be commended as a model of legislative perspicuity, but its object clearly appears in the last paragraph; it was voted by the lower House, although even M. Méline, the acknowledged leader of the protectionist party, opposed it, maintaining that this system would yearly cost the Treasury 30, 40, 50, perhaps 80 millions of francs, and that new taxes, which would ultimately have to be borne for the greatest part by agriculture itself, would be required to make good this deficiency.

In France, uncharitable people have been heard to hint that a certain number of members of the Chamber of Deputies are always found ready to vote for any Bill enjoying the approbation of their constituency, under the mental reservation that the business of the Senate being to amend Bills, it will be reduced to a shape acceptable by common justice or political prudence. In this instance, the Senate simply threw out the Bill; still the Senate is by no means a citadel of free-trading principles, and if economic *credoes* were to be subscribed by the French *patres conscripti*, the bulk of them would certainly be anything but gratifying to the ears of a disciple of Cobden or of Michel Chevalier.

The first fatal blow was dealt by M. Couteaux, one of the Senators for the department of the Vienne. He explained that the present large stock of corn existing in France is due to more intensive methods of cultivation, to the rich harvests of 1898 and of 1899, and also to the large quantities entered in 1898, when the import duties were for some time suspended. Himself a corn grower, M. Couteaux dealt summarily with the argument pleading the existence of 18 millions of what

he calls agricultural citizens, by observing that about twenty people live on his farm, and that of these twenty people, he himself is the only one who sells corn, whilst the nineteen others are obliged to buy it under the form of bread. But supposing the system of bonds to be voted, what would the average peasant derive from this disguised bounty? Putting the price in Paris at 19 fr. 50 and at 16 fr. in London, taking into account the charges and freight at 1 fr. 75, and the fact that the peasant cannot export his corn himself, but would have to apply to brokers and corn merchants, his net share would be reduced to about 1 fr. 25 out of every 7 francs paid by the Treasury. Moreover, this system would make him the prey of French and foreign speculators, who possess the amount of information and of capital requisite to form trusts and to command the market. What would be its consequences for the consumer in a country ruled by universal suffrage, where, out of 10 millions of voters, 9 millions buy corn, whilst about 1 million only sell it? M. Couteaux imagines a dialogue between the corn grower and the State. The latter puts the question: "If I grant you 7 francs taken out of the national cash box to reduce the cost of production for your corn I suppose you will as an indemnity allow the French working man a diminution on the price of his bread?" "By no means," is the reply; "if we demand a bounty of 7 francs on the export of our corn it is to sell it so much cheaper to English workmen, but of course we intend to sell it much dearer than at present to our own labouring population." In fact, the proposed bounty would thus be a premium paid out of the pocket of the French taxpayer to the industrial and manufacturing competitors of France. When the import duty was voted, the French consumers were told that, under its protection, agricultural improvements would make France independent of foreign supplies, and enable her to produce corn at the prices quoted in countries where it is entered freely. This object is now almost attained; since three years France reaps the quantities of corn required by its consumption, and bounties on export are now proposed to annihilate this happy result, and to put the consumer in the situation which previously existed when the national production was not adequate to meet the wants of the national consumption.

The debates lasted about a week; on the 8th of March the final blow was struck by M. Caillaux, the Minister of Finance. Although he also alluded to the opportunities which this piece of legislative machinery would afford to jobbers and *agioteurs*, he, as the responsible manager of public finance, forcibly insisted on its baneful influence on future budgets. Instability would henceforth be prevalent on the French market; but, leaving this consideration aside, what annual loss to the budget would he have to look for? This would surely rise to 14 millions of francs as a minimum, but it might also reach a tenfold amount; supposing it even possible to determine it beforehand, to what source of supply ought he to apply for the corresponding resources? And in the case of probable mistakes in the estimates, the

result would be a succession of deformed budgets, balanced some by enormous deficiencies and others by an equally abnormal bonus. It would be the reign of disorder, and from this disorder harmony was expected to proceed. If the proposed scheme is sound, it ought to be logically granted to every kind of agricultural and industrial produce. Wine growers have already claimed the same advantages for themselves; premiums on the export of spirits and of cattle could no longer be consistently denied. And when every variety of agricultural produce had had its turn, metallurgy, which also suffers from an excess of production, would naturally insist on having its own. The consequence would be the creation of an infinity of taxes, utterly crushing every class, as well in its producing as in its consuming capacity.

The Bill was rejected by 176 votes against 103. It is interesting to notice the totally undogmatical and strictly matter of fact arguments by which its defeat was brought about.

E. CASTELOT

AN EXPORT DUTY ON COAL.

THE following letters from Professor Marshall to the *Times* (published April 22 and May 9), relating to a question of present practical importance and permanent theoretical interest, appear worthy of being reprinted in the *ECONOMIC JOURNAL* :

SIR,—The Chancellor of the Exchequer's proposal to put an export duty on coal is certainly not free from difficulties. But I venture to submit the opinion that it is not, as some have asserted, to be condemned on general economic principles. The incidence of export duties is too intricate to be examined fully in your columns. But the main upshot is, I believe, as follows :—

A universal tax on all a country's exports has similar results to those of a universal tax on her imports. Each of them acts in the same way as a special stamp duty on contracts made in connexion with her foreign trade; or, again, as an increase in the cost of carriage across her frontiers (the cost of carriage elsewhere not being affected). Each of them tends to make her goods a little more scarce than they otherwise would be in foreign markets; and so to enable an all-round merchant to bring back a trifle more imports in return for each bale of exports. The main burden of such taxes is borne by the country herself, but other countries are forced to contribute a small share.

To the extent of this small share duties on imports and exports show a balance of advantage, from the purely national point of view, as compared with other methods of levying revenue. And free trade would be a blunder if no one were hurt by taxes except those who ultimately pay them.

But nearly all taxes, and especially taxes on commodities and most especially "differential" taxes levied on goods passing the frontiers,

injure people who do not pay them as well as those who do. For they divert direct consumption from those routes by which human efforts can satisfy human wants most easily; and turn it to others which are naturally less advantageous, but which evade the tax. In so far as this is done, the people suffer and the tax-gatherer gets nothing. If, for instance, in consequence of the charges imposed when passing the frontier, imported wool were partially displaced by home-grown wool of inferior quality, or at a higher cost, then those who used this wool would be injured by the tax, though they did not help to pay it.

There is no absolute *a priori* proof that these evils must necessarily outweigh the advantages of shifting a part of the direct burden of a country's taxes on foreigners. And it is not by trained economists—not even by those who are the most ardent free-traders—that the defence of free trade is based on absolute *a priori* reasoning.

On the contrary, it is based on a study of details. For that shows that as the world is constituted, an attempt to make other nations contribute to a country's revenue on any considerable scale is foredoomed to failure; and especially that England cannot now do it. Again, a study of detail shows that the waste and friction and indirect consumer's loss caused by differential duties on the frontier are always greater than they appear at first sight; and especially in the case of a densely-peopled country which has limited natural resources and must trust mainly to a highly efficient organisation of her industry and trade.

One may indeed amuse one's self by imagining a small country, whose sole exports consist of rare minerals which other countries are ready to buy from her at almost any cost. She might restrict her output, or levy high duties either on her exports or her imports. All three courses would come to much the same in the long run, and, in any case, she would enrich herself at the expense of her neighbours by refusing free trade.

But as this world is made, no case of this kind on a large scale is possible. There is not, and there cannot be, any large country the greater part of whose exports are free from effective competition. And, therefore, a heavy general tax either on a country's imports or on her exports would merely make foreigners take out their purchases from her in those goods which were important for them, and they would supply themselves with other goods from elsewhere. That is, she would fail in the attempt to make scarce those goods for which foreigners have so urgent a need that they would buy them of her at a high cost rather than dispense with them.

There are thus three classes of frontier taxes which may be economically defensible. First come non-differential import duties on comforts and luxuries, such as those in England on tobacco and spirits; and, in case of need, on tea and sugar. Second come "protective" import duties on things for the production of which a country has great latent facilities that are just ripe for development; as was the case

with tin-plates in America a few years ago. (I am not advocating such taxes, for I believe their end can be attained at less cost in other ways.) The third are special export duties on commodities with which foreigners cannot easily dispense ; such seems to be the case with our best steam coal, and, perhaps, our best gas coal.

If Glamorganshire were an independent country, she might possibly gain by an all-round tax either on imports or on exports. But, as it is, the easiest way in which we can charge to foreigners "all that the traffic will bear" as regards Welsh coal is by a special export duty.

But is it worth while to do this ? On the one hand, our coal is a chief foundation of our industrial wellbeing ; we are wasting our children's inheritance ; and there is much to be said for taking toll from coal in order to lessen our National Debt. On the other hand, a tax on the export of coal appears to present many technical difficulties ; and to be not worth the disturbance it must cause unless it is to be permanent. And, what is more important, it is, to a certain extent, a breach of international comity ; while we are in a specially defenceless position against some export duties that certain other countries might conceivably levy. It is now five and twenty years since I first thought of writing to advocate an export duty on coal, but was restrained by this last consideration ; and I have often taken up the question since. My doubts have never been resolved ; but I admire the courage of the Chancellor.

Yours faithfully,

ALFRED MARSHALL

Cambridge, April 19.

TO THE EDITOR OF "THE TIMES."

SIR,—It is true that, as Mr. Lambton said in the House yesterday, the late Professor Fawcett wrote in 1879 strongly condemning the proposal to impose an export duty on coal. But I believe that some remonstrances were addressed to him (I happen to know of one), and he modified his position somewhat. His book on "Free Trade and Protection" met a want of the time and quickly passed through several editions. I have not access to the second and third. But in the fourth, published in 1881, he significantly omits the statement, made in 1879, that "a certain quantity of American coal is at the present time being sent to Europe, and it is confidently anticipated by the people of the United States that they will be able in future greatly to extend this trade." He no longer speaks of an export duty as "destroying the foreign demand for English coal," but he holds that it would lead France to supply her wants from the neighbouring Westphalia and Belgium.

Of course the full importance of the superior strength of the best Welsh coal was not recognised at that time, when ships of war were still content with a relatively low rate of speed. And the share of the

tax which will now be shifted on to the foreigner depends, at least so far as exports to the north of Europe are concerned, largely on the question how far our coal is needed for purposes for which ordinary coal is inadequate. Fawcett in 1881, as in 1879, is arguing against the use of the duty as a retaliatory measure against France. But in 1881, while softening the purely economic side of his argument, he lays more stress on international comity, and urges that "instead of being induced to make concessions to England, hostility on our part would, there is every reason to expect, kindle increased hostility on the part of France, and a war of tariffs involving an incalculable loss to both countries would be commenced." With this, of course, I agree.

The technical difficulties connected with the tax have proved to be even greater than I supposed when I wrote to you last; but I share the common opinion that they are less than they are represented to be by the mining interests. I heartily sympathise with those miners who were opposed to the war, and who now fear they may have to pay more than their share of its expenses; but I venture to express an earnest hope that they will not be lured into a general suspension of work. Their power over England's prosperity is one of the most striking facts of the time; its full significance being, perhaps, not even yet generally understood. But much of that power is a result of the marvellous improvement in the character of the average miner during the last 50 years; and it would be a shortsighted policy to put a stain on their own good fame.

Yours faithfully,

ALFRED MARSHALL

May 7.

THE FACTORY AND WORKSHOPS ACTS AMENDMENT BILL.

In 1900 the Government introduced a Factory and Workshops Acts Amendment Bill which was afterwards withdrawn on account of the opposition of Trade Unionists to various clauses. A consolidating Bill has been introduced this session, together with a new Amendment Bill. Legislation by order of the Secretary of State figured largely in the Bill of 1900. This was strongly opposed by Trade Unionists as placing too much power in the hands of individual Home Secretaries, and also on account of the difficulty of enforcing regulations so made. The effect of this opposition can be traced in the new Bill, although the Secretary of State still has power in several instances to make provisions by order, notably those relating to the periods of employment and meal hours in laundries and Irish creameries.

The opening clauses deal with the establishment of special rules in dangerous trades. The Bill of 1900 nominally abolished the present system of arbitration on special rules, in cases when the

proposals of the Home Office are objected to by the manufacturers and no agreement is arrived at. But reference to a person appointed by the Secretary of State, who must be neither a Factory Inspector nor a person affected, was substituted for arbitration. The Secretary of State was obliged to accept the recommendations of the referee, or withdraw the draft regulations without prejudice to his power of proposing a fresh set.

The new Bill goes a step further in the case of objection ¹ by or on behalf of persons affected, and unless the rules are amended by the Secretary of State and a fresh draft is issued, or unless such objection is withdrawn or appears to him to be frivolous, he must direct an inquiry to be made, and appoint a competent person. It is not binding on him to accept the recommendation of the person appointed, but the result of such inquiries would, in most cases, doubtless be some modification of the original proposal. The rules would be originally drafted after an inquiry conducted by the experts employed by the Department, and the objections raised could be considered by the Secretary of State, who could cause a fresh inquiry to be made by these experts. A third inquiry, by a person specially appointed, would presumably, therefore, be an inquiry of the same type as the present arbitrations, conducted by a person with no special knowledge of the industry, who is required to hear the case for the Home Office, for the manufacturers, and, should they make application, for the work-people. The rules, as finally drawn up, must be before both Houses of Parliament for six weeks before coming into force.

The provision for the exemption from special rules of any specified class of factories or workshops, either absolutely or subject to conditions, tends to weaken the force of the preceding clauses.

The clauses of the Bill which relate to outwork exhibit a marked tendency towards the transference of power from the Factory Department to the Local Authority. The Secretary of State has power, as at present, to require by order that occupiers and contractors in any trade shall keep lists of outworkers. These lists have, under the existing law, to be sent twice a year to the District Inspector, and must be open to inspection by any Factory Inspector and by any officer of a sanitary authority. The new Bill reverses the position—lists of outworkers must be supplied twice a year to the Local Authority, and must be shown to a Factory Inspector on application. The reason for depriving the District Inspector of these lists is not obvious. The Truck Acts are at present administered by the Factory Inspectors, and Clause 32 gives the Secretary of State power to extend the application of the Particulars Clause, which is also administered by the Factory Department, to any class of outworkers of whom lists are required to be kept. Clause 10 gives power to the Local Authority to make an order prohibiting the

¹ Both Bills allow objections to be made by or on behalf of persons affected, i.e., employers and employed. Under the existing law objection by the occupier is alone provided for, but the workpeople may be represented at the arbitration

giving out, making, cleaning, or repairing of wearing apparel to a house where any person is ill from a disease which is required to be notified under the Infectious Disease (Notification) Acts. No supervisory power is given to the Factory Department as in the case of the administration of the Public Health Acts. Abstracts of the provisions of the Factory Acts relating to domestic factories and workshops are to be issued by the Local Authority. Further, the Medical Officer of Health to each Local Authority, must report specifically on the administration of the Factory Acts, sending a copy of such report to the Secretary of State.

The provisions of the Factory Acts relating to the period of employment and meal hours for women, young persons, and children, are to be modified by order of the Secretary of State, "so as to adapt them to the special circumstances of laundries." The present weekly limits of employment, 30 hours for children and 60 hours for women and young persons, are not to be exceeded. This leaves overtime for women, arrangements as to mealtimes, and the daily maximum periods of employment, which are regulated by the existing law, entirely in the hands of the Home Secretary. It is surprising to find that laundries are again placed on a different footing from factories and workshops as regards periods of employment and mealtimes, in view of the opinions expressed by H. M. Inspectors of Factories.¹ Hotel laundries, and laundries in connection with prisons, reformatories, &c., will be included, but laundries attached to religious institutions are to be supervised by a visitor appointed by the Chief Inspector and nominated by the management. This exceptional treatment seems unnecessary, since the inspection of such places could be made a part of the duties of the Women Factory Inspectors. Laundries ordinarily employing members of the same family dwelling there, or not more than two other persons, are still to be excluded from the provisions of the Acts.

The exemption of certain processes of fish-curing, and of fruit-preserving during the summer months, have been repealed, but the provisions of the Acts respecting periods of employment and mealtimes are not to apply to these processes. As regards fish-curing, the definition of the processes so excepted covers a rather larger area than the definition of those now exempted.

The Secretary of State has power to vary the beginning and end of the daily period of employment and of mealtimes in Irish creameries, and to permit a maximum of three hours' work on Sundays and holidays.

One of the most extraordinary clauses in the Bill is that relating to the reporting of accidents. It provides that accidents causing loss of life to a person employed in a factory or workshop shall be reported by the occupier: other accidents shall be reported, whether causing injury or not, if they belong to a class of accidents specified by order of the Secretary of State. Under the existing law all accidents

¹ Cf. Annual Reports of H. M. Chief Inspectors of Factories, 1896, p. 68; 1897, p. 107; 1898, p. 178.

causing injury to a person such as to disable him from carrying on his usual work for five hours on any of the three days following the accident must be reported. Any relaxation of the reporting of accidents and of the inquiries to which reporting gives rise must necessarily be followed by an increase in the number of accidents. It will be remembered that in addition to the specified cases, in which fencing is always required, all dangerous machinery must be fenced, and unless the contrary is proved the machinery is presumed to be dangerous if so notified by an inspector. In practice it may often happen that such a notification is not given until the occurrence of some accident by means of which the attention of an inspector has been directed to the machinery in question. If, therefore, fewer accidents are reported the result will be that fewer machines will be notified as dangerous, less fencing will be required, and more accidents will occur.

Among the clauses of minor importance is Clause 32, which gives statutory sanction to the power lately assumed by the Government to extend the present exemption which can be granted in times of national emergency to factories and workshops belonging to the Crown, so as to cover factories and workshops engaged on Government contracts. Clause 40, which provides that a person engaged in the same trade or offence as a person charged with an offence under the Factory and Workshops Acts, shall not act as a Justice of the Peace in hearing and determining the case has been shown in practice to be a much needed amendment.

No large conference of Trade Unionists such as that summoned in 1900 by the London Trade Council and the Women's Trade Union League has yet been held to consider the Bill, but a short memorandum calling attention to the more important clauses affecting women has been drawn up and issued by the Women's Trade Union League. This memorandum has also been adopted by the London Trade Council for distribution to branches.

MONA WILSON

Trusts and Trade Combinations in Europe. (Vol. XXI., Part III.
Special Consular Reports of the U.S.)

THIS volume, which has lately been issued by the U. S. Bureau of Foreign Commerce, contains a series of special reports prepared by the U. S. Consuls in Europe on the subject of trusts and trade combinations. With the exception of Russia, every European country of any importance has been included in the field of inquiry. In examining the information thus collected, the first point that will strike the economic student is the rapidity with which this particular form of trade organisation is developing, a rapidity which seems likely to increase rather than diminish; while perhaps, a second point almost equally noticeable, is the moderation which has, as a general rule,

characterised the operations of the combinations when formed. By no means all the combinations of which particulars are given in these reports are of the same type as those for which the United States has become somewhat notorious; on the Continent, indeed, the system of amalgamating a number of independent businesses into a single company on the lines of the American Trust seems to be somewhat rare. A federal alliance is preferred, by which each of the allied businesses retains a certain amount of independence, but the objects of the alliance are the same as those of a trust, the regulation of prices, usually combined with the limitation of output, and the consequent prevention of cut-throat competition. In the United Kingdom, however, amalgamation into a single organisation is usual, and this process is going on with remarkable rapidity in a great number of trades. But what has evidently impressed the American Consuls in this country is not so much the tendency to combination, but the indifference, not to say apathy, with which it is regarded by the public. This fact is continually remarked upon. *Apropos* of the great cotton bleaching "trust," Consul Halstead writes: "I have not seen in the five daily newspapers I have read this morning a single editorial comment on its formation:" Consul McCunn remarks: "Public sentiment is quite indifferent regarding amalgamation here, and no adverse criticisms appear in the press." The explanation of some part, at any rate, of this indifference is, perhaps, to be found in Consul Taylor's interesting remarks with reference to a statement in a Scotch journal to the effect that there was a material practical difference between trusts as found in America and in Europe. "The impression (he writes) that seems to exist here that, somehow or other, these 'combinations' in Great Britain differ in some of their essentials, aims, objects, and workings from trusts in America, is erroneous. If there be any difference it is merely in degree rather than in kind. Trusts in this country have thus far met with no opposition either in legislation or public opinion. Consequently, they have not been called upon in self-defence to exercise those more disagreeable qualities which are attributed to them by aggressive enemies. The question of trusts has never figured in politics (few commercial, economic, or financial questions do in this country), hence no accusations of official favouritism to gain political advantage are made."

Turning to the consideration of the subject in Continental countries, it is only appropriate to give the first place to Austria, considered by some economists to be the birthplace of the trusts of Central Europe. They have certainly taken firm hold on Austrian trade, and such a large number of articles of manufacture are now affected, generally to the detriment of the consumer, that a bill for the protection of the latter has been drafted, though it has not yet become law. There can be no doubt that in this country trusts have long ceased to be a means of protection for manufacturers against excessive production and extreme fluctuations in price, and have become simply agencies for oppressing

the consumer, having been organised not only among manufacturers but also among middlemen and dealers. Prices have been generally enhanced : that of coal is said to have gone up 30 per cent. in the last few years, while recently the plate-glass combine put up the price of mirrors at one bound 50 per cent.

Several interesting features mark the development of the "trust" in Germany. In 1870, there were five syndicates, while in 1897, the number was reckoned at 345, covering practically the whole field of industrial activity. This number has since been reduced, owing to the amalgamation of syndicates controlling different branches of a trade into one body, as, for example, the union of the syndicates dealing respectively with the manufacture of raw and refined sugar. Thus, though the number of syndicates is less, the power they exercise is increased. This power appears to have been used on the whole with moderation, and rather for the steadying of prices than for their undue enhancement ; and in times of industrial depression, the syndicates have undoubtedly been serviceable, as Brentano remarked, in "providing a parachute to enable the victims of over production to get safely down to a solid basis."

But the manner in which syndicates have assisted in developing the foreign trade of Germany is specially noteworthy. Not only has their formation produced that increase in economic efficiency which usually arises from combination, due to the elimination of waste, and of futile competition, to improvements in processes, and economy in administration, but the uniformity of price maintained in the home-market has enabled the syndicates to undersell their competitors abroad. If the product is exported at a loss, the losing manufacturer is compensated by an export bounty from the funds of the syndicate raised by means of a general levy or tax on all the members. Some years ago when the Germans were underselling British iron-masters in structural iron and steel goods, an expert discovered on inquiry that the cause was to be found partly in an improved process of manufacture, but largely in the profitable prices maintained by the syndicates at home. The same method has been adopted to bring into favour a large number of German exports, the manufacturers being, of course, much assisted by the high protective tariff which relieves them of all fear of foreign competition at home.

As the restraint of combinations by law has been frequently suggested, it is interesting to note, that in France the organisation of trusts is a criminal offence. Nevertheless, this has not prevented the formation of a considerable number. The petroleum syndicate, for instance, has complete control of the supply and has made very large profits. The Roquefort Cheese ~~Trust~~ is another very powerful organisation ; but in this case nature has much assisted in the establishment of the monopoly. A particularly annoying trust is that of the Paris, Lyons, and Mediterranean Railway, from which most

travellers have suffered, and which holds an exclusive franchise for the operation of railways within its territory.

Trusts in varying forms appear to exist in most European countries, but the experience of Switzerland is rather unique. Owing to the nature of the principal industries in that country, trusts have never flourished, but in the case both of the chocolate and the embroidery manufacture, it is curious to note how trusts have come to the rescue in times of depression. In the latter case, particularly, where the industry, owing to overproduction and unprofitable prices, was on the verge of destruction, the Embroidery Union was founded, comprising manufacturers, exporters, merchants, and operatives, and accomplished immense good, fixing a minimum wage and in other ways checking disastrous competition, but after a while its restrictions became too burdensome, and it expired when prosperous times returned.

C. OSBORN

LABOUR LEGISLATION IN CANADA

THE Liberal administration, which has recently¹ been returned to office by an increased majority, has, during the past four years, devoted considerable attention to the question of labour legislation. The first movement was taken in 1897, when the Hon. Mr. Mulock, the Postmaster-General, caused an investigation to be made into the alleged abuses existing in connection with the use made of the sweating system in government contracts. In January, 1898, Mr. King, the commissioner to whom the investigation was entrusted, reported that grave abuses existed in the fulfilment of government contracts in Montreal, Toronto and Hamilton. It was found that practically all the clothing manufactured for the Canadian government during the preceding ten years had been made under a sub-contracting system; and that the wages paid were very low. As a result of these findings all parties who contract to furnish the Post Office Department with supplies, are now required to agree to the following conditions: all work shall be done in the owner's factory; sub-contracting is punishable by a fine of \$500.00; the wages paid in the execution of the contract are to be those which are generally accepted as current in each trade for competent workmen in the district where the work is carried on. The Militia department has also, since 1898, adopted a similar policy in connection with the awarding of the contracts for the clothing of the militia.

At various points along the border, Canadian workmen had crossed over to engage in work in the United States. In the enforcement of the provisions of the Alien Labour law the United States officials

¹ November, 1900.

applied its provisions with especial rigour in the case of Canadian workmen, and as a result of this a considerable number of Canadian workmen were deported. This led to a feeling that a retaliatory policy should be adopted in Canada. Accordingly in 1897 a transcript of the American legislation was enacted in Canada, with a proviso, however, that it should apply only to such foreign countries as enacted and retained in force laws or ordinances of a similar nature applying to Canada. The government retained a discretion as to the conditions under which the provisions of the law should be applied. It was understood that the government was unwilling to adopt an extreme enforcement of the act lest this should interfere with the success of the international negotiations which were at the time being carried on with a view to settling some outstanding disputes. An official has recently been appointed to see that the provisions of the law are enforced. During the month of September there were a number of cases of deportations for violation of the Act. The two great spending departments of the government, those of Railways and Canals and of Public Works, have provided for the insertion in their contracts of a clause which is in substance, that all the workmen engaged in government contracts shall be resident in Canada, unless the Minister of the department affected deems it expedient in the public interest to make some exemption. It may be noted, in passing, that in awarding a contract some years ago to a New York firm for the manufacture of stamps and currency the government made it one condition of the contract that all the work should be done in Ottawa. This involved the erection of a new plant in that city.

During the recent session of Parliament, in the spring of last year, the labour policy was still further developed. In March 1900 a resolution was introduced by the Hon. Mr. Mulock, who has throughout had the various phases of labour legislation under his supervision, to the effect that all government contracts should provide against sub-letting, and that in addition provision should be made to secure the payment of such wages as were generally accepted as current in each trade for competent workmen in the district where the work was carried out. This, while subject to some criticism at the time, on account of its alleged vagueness, was passed by Parliament. The Departments of Railways and Canals and of Public Works have included clauses intended to enforce these provisions, in all contracts made since the passing of the resolution. Each contract contains a specified "fair wage" schedule. An ex-labour leader has been appointed to see to the enforcement of the law. He is required to report to the government on the rates of wages current in the district where government work, whether by contract or otherwise, is being carried out. It is also his duty to assist in the preparation of "fair wage" schedules to be incorporated in the conditions of contracts awarded by the government; and to see that contractors comply with these conditions when made.

The remaining phase of the labour legislation is concerned with the

enactment of a Conciliation Act. This was passed at the end of the session of the present year. This Act, which is modelled on the English legislation, provides for the creation of a Department of Labour. The Report of the Royal Commission on Labour, in 1889, recommended the creation of such a department. The Act of 1900 created it. The supervision of this department has been placed in the hands of Mr. Mulock, who has been appointed Minister of Labour. This Act also provides for the creation of voluntary conciliation boards, which are to be registered with the Minister. The process is voluntary throughout. The powers of the Minister in this connection are as follows: (a) he may make inquiries or arrange a conference without an application by the parties to the dispute; (b) he may appoint a conciliator on the application of either of the parties; (c) he may appoint an arbitrator on the application of both of the parties. The Act also provides for the creation of a Labour Gazette, which is to be issued monthly; there is also to be an annual report to Parliament.

The enactment of some phases of this legislation is so recent that it is impossible to criticise it as a whole from the standpoint of actual operation. The alien labour legislation is probably of temporary duration, since it is an outcome of an international phase of a policy of pin pricks in which Canada was not the first offender. The work of the Labour Gazette promises to be of permanent scientific value. The editor of this paper, Mr W. L. Mackenzie King, a graduate of the Political Science Department of the University of Toronto, who has also held fellowships in the University of Chicago and in Harvard University, brings to the service of the paper the insight which has been gained from special investigation into labour conditions both in America and in Europe. The scope of the Gazette's activity may be gathered from the following partially condensed statement of the contents of the two recent numbers—reports from local correspondents, rates of wages in Canada, farm labour in Ontario, trades and labour congress, recent legal decisions affecting labour, Commission on Chinese and Japanese immigration, unions formed during the month, &c. It is the intention to follow, in some respects, the policy of the Bulletin of the United States Labour Department by opening the columns of the Gazette to articles dealing with special phases of the labour problem. The files of the Gazette, together with the reports the department will make to Parliament, will afford data for a scientific knowledge of Canadian labour conditions, which have hitherto been non-existent. The Conciliation Act was objected to in Parliament, by Mr. Puttee of Winnipeg, the only labour representative in the House, on the ground that voluntary conciliation would be ineffective. A similar position has been taken by various members of the labour organizations. It has been suggested that the New Zealand plan of compulsory arbitration should be followed. Owing to the fact that there is a distribution of powers between the Provinces and the Dominion it is beyond the power of the Federal government to pass a compulsory Arbitration Act,

since this, being concerned with civil rights, falls within the purview of the Provincial legislatures. The provisions of the Act have been tested recently in connection with the strike of the cotton operatives at Valleyfield in the province of Quebec. Through the intermediation of Mr. King, who holds also the position of Deputy Minister of Labour, an agreement was arrived at. The legislation passed is to be regarded simply as a beginning. Labour is becoming better organized in Canada ; and a still more aggressive recognition of labour's needs will in time be demanded. Mr. Mulock has expressed the hope to see a labourer occupying the position of Minister of Labour. The realization of such an aspiration is not yet within the domain of practical politics.

S. J. McLEAN

THE STATISTICS OF MUNICIPAL TRADING

THE draft of my paper on "The Statistics of Municipal Trading," which was printed in the March number of this Journal, had been completed in October last, and it was my intention to make a few additions to the original article before it went to press. Owing to a misunderstanding on my part, the Editors did not receive the alterations till it was too late, but they have kindly consented to publish them now as a note.

The principal object of the paper was to point out that the Parliamentary Paper¹ which served Sir Henry Fowler as the basis for his Presidential Address before the Royal Statistical Society, gives a false impression regarding the "net profits" earned by Municipal Trading. My paper dealt with gas-works only, but this was justified by the fact, that these undertakings are by far the most profitable department of this kind of municipal activity. Thus on an average of five years, the profits of Municipal Trading are placed by Sir Henry Fowler at £370,341, and out of this sum £370,340 is contributed by gas-works.

"This profit," says Sir Henry Fowler, "*in the great majority of cases, is applied in reduction of rates.*" But so little attention was paid to the qualification contained in this statement, that the opinion gained ground that all this so-called profit, and not only an undefined part of it, represented money which was available for reduction of rates. At the cost of great labour I analysed the official returns for the five years and showed that the sums paid in relief of local taxation amounted to no more than about £270,000, that is 27 per cent. less than the sum given as net profit in the Parliamentary Paper.

But even this reduced sum is entirely misleading if applied to the country as a whole. The profits of Municipal Trading are by no means equally diffused, but are chiefly contributed by a few prosperous

¹ House of Commons Papers, Session 1899, No. 88.

corporations, the average local authority lagging far behind. It must be remembered that the Return in question deals with a small number only of the local authorities owning gas-works, viz., 87 out of a total of 167. To gain a fair view of the rate-relieving capacity of Municipal Trading, as exemplified in its most profitable branch, the management of gas-works, it is better to take the total of local authorities owning gas-works, not a selection. From the Board of Trade Returns for 1897—98 the following analysis is prepared :—

1. Amounts per annum.	2. <i>Number of local authorities paying each out of the profits of gas-works the amounts detailed in col. 1 in relief of rates.</i>	3. <i>Number of local authorities with profits of the amounts detailed in col. 1, of which the application is not stated.</i>
About £50,000	2	—
„ £30,000	1	—
„ £25,000	1	—
„ £17,000	1	—
„ £14,000	1	—
„ £10,000	3	—
From £10,000 to £7,500	3	—
„ £7,500 „ £5,000	6	—
„ £5,000 „ £3,000	7	—
„ £3,000 „ £2,000	6	—
„ £2,000 „ £1,500	4	2
„ £1,500 „ £1,000	8	3
„ £1,000 „ £750	7	2
„ £750 „ £500	3	5
„ £500 „ £300	3	3
„ £300 „ £200	4	3
„ £200 „ £100	3	6
„ £100 „ £50	2	1
Below £50	1	3
Nothing at all paid in relief of rates.	73	—
“Not stated” as per col. 3	28	Total...28
	Total...167	

From these figures it will be seen that *two* corporations (they are Manchester and Birmingham) contribute about a third of the entire sum paid in relief of rates,¹ namely £101,000, and that *seven* others contribute a second third, namely £103,000. After deducting the shares falling to these few exceptional undertakings, there is not much left for the remaining 158 local gas-works among them. Local authorities to the number of 73 contribute nothing at all. Nor would these figures be materially affected if we knew the application of the sums for which the returns give no details, for col. 3 shows that the local authorities in question belong entirely to the class of small concerns.²

¹ For the year 1897-8, the sums paid in relief of rates by the 167 gas-works are £315,000; for the five years treated in the Parliamentary Return they amount to an average of £283,000 per annum.

² In the Board of Trade Return the application of the “Profits” arising on local gas-works in Nottingham and Bradford is not given, but private inquiry enabled me to ascertain the amounts, and they are included in col. 2.

This examination shows that even the most profitable branch of Municipal Trading cannot in the country as a whole be regarded as a means of appreciably reducing rates. The generalisations which have been made from the total profits earned have been too superficial.

It will be interesting to hear from the report of the Joint Committee whether the low rate of profit of municipal gas-works is due to selling at lower prices than are charged by private undertakings. It would probably also be worth while to inquire whether Lord Avebury's openly expressed misgivings as regards the proper allowances for repairs, depreciation, &c., are borne out by facts. As far as it was possible for me to find out, I have shown that they are not, but it would be exceedingly unfortunate if this important question were laid to rest except after most full inquiry.

J. Row Fogo

OBITUARY.

In Angelo Messedaglia there perishes the last descendant of that noble group of encyclopædists who, if they derived their name from France, found in Italy their most pronounced and thoroughgoing representatives. A son he, and in sooth no degenerate one, of the Italians of that Renaissance which they interpreted by their thought and specific activity in the most diverse fields of scholarship and of life—of those who were at one and the same time poets and philosophers, mechanicians and statesmen. Thus from an essay on population he proceeded to an investigation into Homeric uranology; from weighty research, bristling with unlovely technicalities on money or public debts, he relaxed into elegant translations of Longfellow and Moore; forcible articles on mean lifetime and mean values alternated with more practical studies on floods, or considerations on higher education; from criminology to Hellenism, from equalization of the land-tax to literature, from hydraulics to geography, to glottology, to the most complex problems of ethics and history—over all the Veronese thinker floated discursive on eagle wings, on all he cast the serene light of powerfully critical insight. Severely and profoundly omniscient, he remained a unique exception to his generation, where micrological specialists alternate with ill-trained upstarts who assert anything and know nothing. He was as a living synthesis of everything knowable, from whose polished and vibrant word the scholar could learn the higher ideas of essential discipline, and the standpoint from which to behold them in the universal system of human knowledge. And it is due to this that he was generally venerated as the master of masters, as the benevolent and generous dispenser of an aristocratic science, which his immediate disciples could translate into simpler and selected formulæ, so as to render it accessible to the popular mind.

For Messedaglia was always, even to his last moments, an indefatigable.

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able conversationalist, and of conversation, especially in his later years when advanced age had slackened his assiduity in teaching, he had made a Chair and a platform, from which he would communicate truths and judgments, the fruit of quiet maturing, to the faithful band of friends and admirers. Shrinking more than any man from popularity, aloof by temperament from all tricks of theatrical charlatanism, he found satisfaction exclusively in the assent and applause of the scholars he admitted to his circle of intimates, and who eagerly gathered the unexhausted harvest of his wisdom. And many a time, seeing him pass along the road in Rome, informing with debonnair speech the enthusiastic learners at his elbow, one was fain to think of the Peripatetics of old, whose open air methods of life he revived, no less than their prodigious catholicity of knowledge.

Boundless, though unheeded by the world, was the efficacy of this teaching *extra cathedram*, imparted, as it was, on any day at any hour, to the few elect who were best fitted to make it fructify. Boundless in its efficacy and far and away superior to the instruction he gave officially as well as to his publications, noteworthy though these were. For it is a cause of regret, shared with us unquestionably by all with whom Messedaglia was brought into contact, and which adds to our sadness in this hour of bereavement, that his mind was not made manifest in its luminous integrity and sovereign omnipotence save to those whose privilege it was to be in intimate communion with him. It is quite true that his studies formed important contributions to the advance of political economy and statistics. It is quite true that his work on population constitutes a felicitous amendment to the formula of Malthus. The article on public loans still serves to guide the statistic and the financier. The work on vital averages is a weighty analysis of demographic method. That on money discusses the various monetary systems with exceptional erudition and acumen. The account of the equalization of the land-tax is judged by competent critics to be the *locus classicus* on a much debated subject. And the list might be lengthened. Nevertheless those who can compare these works with the actual mind of their author must confess that it is but here and there that we meet with the disjointed fragments of a powerful and many-sided intelligence, that we see in them but a few pale and tremulous rays from what was a wonderful intellectual star.

Nor indeed is it difficult to trace the causes of this so tragic dissonance. If, in the ages of the inception of science, versatility of research was compatible with originality in discovery and results, modern science, with all its ramifications and complexities, imposes on those who cultivate it the need of minute specialisation. And nothing but this can henceforth avail to leave indelible tracks on the heights where dwells truth. Just as the evolution of the family proceeds from polygamy to monogamy, and that of religion from polytheism to monotheism, so does an encyclopædic plurality in science develop into unilateral specialism. The highest types of personality cannot at the

present day stand out as exceptions to the governance of these inexorable laws. And hence the polygamists of science and the polytheists of thought will find in the barrenness of their own works the penalty of their temerity in deviating from the destined course of mental evolution.

Now the works of Messedaglia could not and do not escape from this inevitable fate. His passion for knowledge, diffusing itself equally over any and every branch of it, rendered him incapable of leaving such imperishable monuments of his genius as would have enabled all who knew him not, to appreciate its supreme and inestimable virtue.

Let us, however, forbear to utter even the most reserved accents of criticism or of chill doubt at the tomb which has closed but a little while over the remains of the great and beloved master. In this grey hour of our last farewells, when all the intellectual patriciate of Italy goes clad in mourning, let naught be heard save sore lament, let nothing flow save bitterest tears. With consternation Italy sees the passing of that noble contemplative presence who gave to the much enervated rising generation the consoling vision of a sane and serene old age. She attends in sadness at the going out of that thrice-blessed nature of the thinker, the poet and the artist, in whom were so felicitously combined the mental stamina of the German peoples and the versatility and geniality of the Latin. And her grief is increased an hundredfold, if that be possible, by the bitter thought that a figure so beautiful and majestic is not destined to repeat itself, that this *Gran Signore dello spirito* is doomed to die, by the inexorable laws of present mental evolution, without heirs.

May the tribes of gnomes, buzzing henceforth about the scattered zones of knowledge, reverently cherish the memory of this Titan who took the measure of them all with certain tread! May they gather inspiration from his example, not, it may be, to hark back, across the years and the fates, to an impossible encyclopædism, but at least to correct the pernicious asymmetry of the micrologism which in our day prevails! With this augury, the fervent outpouring of our heart in this mournful time, we lay upon the tomb of Angelo Messedaglia the lovingly interwoven chrysanthemums, offered by all followers of noble studies who call our great Italy their fatherland.

ACHILLE LORIA

CITY NOTES.

The following notes are by "R. G." :—

An American Stock Exchange Boom and Collapse.—The most interesting event in the City since the March issue of the *ECONOMIC JOURNAL* has been the culmination of the boom in the United States in stocks and shares which had been going on for many months, followed

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by a partial collapse, and possibly, as the event may prove, by a general reaction of some duration. All this came about towards the end of April, the speculation in New York, in Chicago, and other centres having advanced by that time to colossal dimensions almost without a check from the time of Mr. McKinley's election to the Presidency last November, which determined the beginning of the boom. Previous to the latter date the markets had for a long time been preparing for a rise, but no move could be made until "politics" were got out of the way and the steadiness of the Government without revolutionary change was assured by Mr. McKinley's election. The boom was no doubt all the stronger when it came because of the long-continued application of the break last autumn. At any rate whatever may have been the precise occasions and contributory circumstances, the boom was one of the most remarkable on record, resembling the great boom in English railways in 1845; or the rise in English railways and other securities which followed the close of the Franco-German war at the end of 1871 and beginning of 1872; or the similar advance in securities which preceded the Baring Crisis of 1890. The peculiarity in this case was that the rise was of American origin almost exclusively, the European markets following with a little hesitation; and the incidents have been of a kind to indicate the increasing importance of the United States as a commercial and monetary centre. The rise in stocks and shares has, in fact, been in response to the great manufacturing and commercial prosperity of the United States which developed there as the consequence of the thrift and energy rendered necessary by the Baring Crisis itself, a crisis felt most profoundly in the United States, and which have no doubt made the United States permanently a leading member of the international stock markets.

Peculiarities of the Collapse.—After a boom, however, comes a collapse, and it was not surprising to find that in a day or two the very stocks for which no price was high enough, and which would be purchasers were unable to buy, were unsaleable at much lower prices. This is the characteristic of every such collapse, and belongs to the psychology of all speculative markets. Prices are bid up because the leading people who offer to buy are really the only people, or almost the only people, who have stocks to sell, and they hope to induce others to become purchasers by continually raising the price so that they can themselves "unload." When the unloading sets in in earnest the market goes to pieces. The present collapse has, however, offered the special peculiarity of a "corner" in one stock, Northern Pacific, which was really due in part to the competition of two groups of railway syndicates, who each wanted the stock in order to control the undertaking, and through that in turn a group of railway undertakings. As the result there was no collapse for sometime in

Northern Pacific, but the contrary, so that instead of a general *débâcle* there were movements the other way in this leading stock with no small resulting confusion in the speculative world. Something of the same kind has happened before in other booms and collapses, but nothing on the same scale. Another peculiarity has been that the stock cornered was made accidentally scarcer by the quantity necessarily in transit at a given moment between New York and London. Operators in New York sold against stock which they knew to be coming from London, but in the interval between shipment in London and delivery in New York, though only a few days, the stock was peremptorily called from them, and in this manner the severity of the corner was enhanced. The custom on the New York Stock Exchange is to sell and buy for daily settlement for cash, speculators either borrowing stock or money to complete their settlements from day to day, and it was this custom which played into the hands of the skilful people who noticed the opportunity for a corner. Similarly in London operators undertook to deliver stock which they had themselves bought from responsible agents and bankers; and then when the fortnightly settlement came, according to the London custom, found that the stock wanted was either in New York or in transit. The commotion and excitement were naturally very great. To the real corner occasioned by the competition for the stock for control purposes was added a factitious corner, the result of accidental circumstances; and a great many people were caught.

The Suspension of "Buying in."—So widespread was the ruin threatened that the Stock Exchange Committee in London stepped in and suspended the rule for "buying in." This is the rule established for the protection of the public in ordinary business, which enables a buyer to obtain delivery of the stock which he has bought, just as there is a corresponding rule to compel the buyer to pay for the stock he has bought when it is offered to him in the course of the settlement. After so many days the buyer, not getting delivery of his stock, can set to work an official of the Stock Exchange, who buys in the stock from any one who may have it, at the expense of the seller who is unable to deliver. This is the rule which has been suspended, because it was found in fact that the stock for some time could not be bought in at any price, and the bargains could not be fulfilled at all, while many innocent individuals would be ruined by the literal enforcement of the rule. A great disaster has thus been prevented on the Stock Exchange, which has had time to "turn round," and now breathes more freely, while the liquidation following the great boom itself goes on.

New York and London.—The whole incidents mark the entrance of the United States into a new economic phase. The occasion of the

corner as far as London is concerned was partly a miscalculation of leading dealers in London as to the extent and character of the American boom itself. In a merely speculative boom action and reaction are equal. A great rise is followed by an equivalent fall. It was this maxim, sound enough where mere speculation is concerned, upon which dealers in London acted. What they failed to notice sufficiently was that behind the boom in the United States lay a popular movement to invest due to the abounding prosperity of the country and the magnitude of the surplus in international trade which has been accruing. Thus the speculative boom, as sometimes happens, has been maintained and upheld by a great investment movement, the new thing being that the movement is in a country which must undoubtedly rank before long as one of the great investing countries. It is a new thing for the United States to appear internationally in this character, but the change has to be reckoned with. Once the business is understood, the particular mischief which has now happened is not likely to recur, but there will of course be other fluctuations and interesting incidents such as the Stock Exchange is never free from.

The Condition of the Stock Exchange.—Although the untoward incidents have been arranged for, a time of prolonged weakness and dulness in the stock markets is almost inevitable as the result. It is to be recollected that the Stock Exchange received a heavy blow at the beginning of the year, at the time of the collapse of the London Globe and Finance Corporation and its subsidiary companies. There was then rather an extensive wreckage on the Stock Exchange. Visible wreckage has now been averted, but important firms and institutions have none the less been crippled. Fresh trouble has also arisen through the liquidation of the British America Corporation, one of the institutions threatened at the collapse last December. Altogether a good deal must happen apparently before the Stock Exchange can be comfortable again.

The Money Market.—This condition of things is necessarily reflected in the money market, where rates are maintained. While there is so much discredit, money cannot be easy. The whole market for securities is likewise weakened.

The Issue of Consols.—The issue of a loan of £60,000,000 in Consols has been a good deal obscured by these exciting events, but although the loan itself was a great success at about $94\frac{1}{2}$, yet the issue, and the appearance of both the German and Russian Governments as borrowers, tends, undoubtedly, along with so much in the same direction, towards dearer money. It is altogether a very

great change in the conditions of the money market to have the English Government borrowing about £100,000,000 in two years, instead of applying a few millions annually to the redemption of debt. Consols would not have fallen so low as 94½ owing to this cause alone. The other circumstances of the money market and the general state of business have probably been the most potent factors in the change in Consols in the last few months. But so far as they go the recent large issues, no matter by what Government, have an adverse effect. The low extreme of 93 for Consols was touched about the end of May, but this was only for a day or two, and there has since been a recovery.

The Form of Borrowing — It has been steadily pointed out in these notes that little turns upon the form of the issues which the Government may make. Whether they issue special temporary loans, or exchequer bonds, or exchequer bills, or, as they have just done, the standard security, Consols, they have always to pay the market rate of interest, which will come to about the same in the end. Consols have, however, this advantage, that they are the kind of security which the public like best for a permanency, and the Government have thus acted rightly in reverting to this mode of issue without attempting to make small gains by ingenious market devices.

The Budget.—Little space is left to notice the Budget, which was in many ways remarkable, especially in its constituting the high water mark of expenditure in English financial history. The expenditure budgeted is no less than £187,602,000, or within sight of £200,000,000, which figure would in fact be touched if the payments for local purposes out of revenues collected by the Imperial Government were to be included. It is not surprising that so large a figure, especially as very large figures, if not quite so large, appear highly probable for a few years to come, should begin to raise questions as to ways and means of a kind that have not been discussed in this country for many years. The total revenue estimated, apart from the budget, while reaching the enormous total of £132,000,000, still left a deficit for the year of £55,000,000, which is only reduced to £43,000,000, or thereabouts, by means of an additional 2d. on the income tax, a ½d. per lb. sugar duty, and 1s. export duty on coal. The situation is novel, and justifies the anxiety with which it has begun to be discussed, and will no doubt continue to be discussed. It would be out of place, perhaps, to take up the subject in these notes, but the hope may be expressed that some light will be thrown on statistical and economical problems by the discussion and by the full consideration that must be given to the resources of the country, and the methods of raising a large revenue with the minimum of friction and inequality.

The Coal Tax.—The debate in Parliament and the country has turned very largely on the *pros* and *cons* of the export duty on coal, which has no doubt aroused a bitter feeling in some quarters. We must be prepared for many such discussions if more new taxes are imposed. As to an export duty on any article there is no real division of opinion among economists. Sometimes there is an opportunity for such a duty, as in the case of the export of opium from India, where the Government of the exporting country gets so much revenue in an easy manner, and without damaging its own subjects. It is only a question of facts and circumstances how far coal in the United Kingdom is in the same category, and the practical decision of Government and Parliament is that up to the limit of a shilling per ton it is. Time will show. Probably the shilling will be diffused in its incidence, the foreign consumer, the shipowner, and the crews of merchant-ships bearing their part as well as the mine-owners and the miners, both those engaged in mining for export and others. If it be the case that some mines are now being worked at a loss, which is probably true, we shall no doubt have the tax blamed for untoward events that may occur in the coal trade for a long while to come. The tax, however, is by no means unpopular.

R. G.

June 1, 1901.

LABOUR NOTES.

The following notes are by Mr. Ernest Aves :—

THE conditions of employment, measured by the numbers returned as out of work, have remained almost stationary during the first four months of the year, and the curve of the *Labour Gazette* chart still trembles along close under the four per cent. line. As compared with a year ago, however, the decline has been considerable. Although during the present year the numbers employed have remained fairly constant, the volume of employment is still showing signs of contraction in some directions, notably in iron and steel manufacture. But even this change is by no means uniform, and there are several trades in which the Spring has brought, not contraction but expansion.

MORE significant, perhaps, than the figures relating to employment are those connected with wages, and turning to these we find that the practically stationary conditions of March have been followed by a net decline in April of 2s. 8d. weekly among the 54,000 (including 30,000 Northumberland coal-miners) whose rates of earnings underwent change. During the first four months of the year, however, the aggregate rise and fall reported in the cases of 816,000 workpeople almost exactly

balance each other, showing a net decrease of a halfpenny per head. With this may be compared the rise of 2s. per head reported during the same period in 1900, when the changes affected some 930,000 workpeople.

THE vast majority of the changes reported continue to be effected without any preliminary dispute, and, speaking generally, it may be said that the process of readjustment which the ebb of trade is rendering necessary is taking place under very favourable auspices, and goes to show that the machinery of pacific industrial settlement is being slowly perfected in this country. Prophets have not been wanting who, suspicious of what has been regarded as an unhealthy "militarism" in the popular mind, have anticipated that a reflexion of this would show itself in more embittered and more hostile industrial relationships. There is, happily, no good reason to think that this industrial forecast will prove correct, but rather that in the industrial as in the political field, the diagnosis of the situation made by the more pessimistic among us has been mistaken.

To prophesy is, however, proverbially dangerous, and the prophet is generally at best but half believed. At times, it is true, implicit faith may be convenient, and during the last few weeks we have had a touching example of this. It was found in the final decision of the coal-miners, and in their ingenious escape from the difficult position in which they had placed themselves when they threatened a general strike by way of protest against the proposed shilling tax on exported coal. The tactical blunder of this threat has been sufficiently emphasised in the press and elsewhere, and if the miners had been more whole-hearted and united than was the case, the blunder would still have been as great, for it is unwise even for the strongest labour organisation to put itself out of court with the nation: when this is the price that has to be paid for them, sectional rights, however indefeasible they may seem, become a temptation rather than a source of strength. The threat was uttered, however, and the Chancellor of the Exchequer provided the way of escape, for he had said that the tax would not be paid out of miners' wages. On that guarantee the men decided to enforce no stoppage, but to await developments. Thus, they have shown their sagacity; but, even as they drafted their resolutions, they were perhaps ~~not~~ unmindful of the fact that economic causation is almost invariably complex, and that, as the incidence of the tax makes itself felt, be it at home or abroad, the final allocation of the burden will be determined by many other influences than that simply of a vote in the House of Commons. Other factors in the problem are continually changing—the strength of the home demand, the cost of production in and the surplus available from competing centres, freights and what

not—and it is perhaps fairly safe to assume that, should some further readjustment of miners' wages be necessitated, coal-owners will not fail to point out that a decline, should it be a decline, is due not solely, perhaps not at all, to that much discussed shilling, but to a whole array of contributory influences quite beyond the control alike of Parliament and of the trade.

An instructive debate has been recently held at the London County Council, arising out of a motion that was intended to lead to the adoption of a fixed minimum wage for all classes of labour employed by that body. The minimum advocated was to be 30s. a week, this being regarded as the "living wage" for London. The obvious difficulties that would ensue from an attempt to set up an artificial standard of this kind and of outrunning the accepted maximum rates in many trades were pointed out by the leaders of the Progressive party, the check to the extension of municipal enterprise (as in the direct management of the London tramways) being, as was natural, especially emphasised by them. The Council, they urged, is to be "in the van" with the best employers; when any rate of wages is duly accepted by associations of employers and employed and is current, not less than that rate is to be paid; but further than that the Council ought not to go. It is to be as good an employer as the best, but ought not to be asked to sanction a scale that would, after all, be based on somewhat theoretical considerations. This is sound policy, even though it may be admitted that 30s. a week is not an excessive minimum for less able-bodied adult men.

It was clearly felt on the Council, apart from the Labour bench and a few extremer partisans, that it and perhaps most other municipal authorities in London have gone far enough in the direction of model employment, although it may be noted that in the early nineties it was mainly owing to social rather than to economic considerations that the rate of pay to unskilled municipal service was then so largely increased. It was, for instance, between 1891 and 1895 that in one London district the number of road sweepers earning more than 25s. a week rose from 4 per cent. to 51 per cent. of the total numbers employed. It is more widely recognised now, however, than then that when changes of this kind are made it is often the unexpected that happens, and that when higher rates of pay are secured to bodies of workers such as road sweepers, dock labourers and gas workers, another set of men tend to secure the benefits, the older generation of underpaid worker finding his position undermined by the keener competition of more efficient men that the new order of things introduces. For the less efficient man, "progress" and "improved conditions," whatever they may be to others and to society at large, are often but a cruel kindness, others reaping the fruits of the pity that was stirred,

it may be, by his own miserable lot. Such considerations may have also influenced the Council in its recent decision when it wisely decided to reject the artificial minimum suggested.

THERE is, moreover, some reason to anticipate that the item of house-rent, at present perhaps the one great exceptional burden that the London worker has to bear, may tend, even speedily, to change. The Census tells us that the urban increase of population, to some extent at the expense of the rural, is still a main feature in the national life, but "mobility" is in the air, and the greater diffusion of urban populations is not unlikely to become an increasingly important consideration in the future. Even the *Times* has allowed itself to look forward to a time when, even for the wage-earner, the daily journey of from 30 to 40 miles to work, may not be regarded as unusual, and the effects of the change thus foreshadowed upon the conditions of urban, and above all of London, life will be enormous. "Tubes," electric traction, motors, perhaps even the "mono-rail," combined with the older forms of locomotion, may well mean that we are on the eve of changes not less radical than those that were introduced into the conditions of life by the inventions of George Stephenson. The times are elastic, and it would be folly indeed for any municipal authority to limit its freedom of action by voluntarily inflating the wages item of its annual financial burden.

THE course of the dispute at the Penrhyn quarries makes sorry reading, but a fresh step is now on the point of being taken to bring about a renewal of work. One or two additional minor concessions are being made to the men, and, as regards the contract system, the offer will still hold of making an experiment in the alternative system that the men prefer. We still think, although the chances seem small, that this offer should be accepted, and the future transition to the more co-operative methods desired facilitated by new and promising experience. Longer waiting cannot well lead to much more than to greater suffering, and perhaps to deeper embitterment. It cannot be denied that the violence of the autumn, although it was the work of a few, did much to put the men in the wrong, and, however pacific the mood of the majority may be, there is little doubt but that the weapon of intimidation is still furtively cherished by some. It should be given up frankly, for the suspicion that it is there is blocking the way to peace.

A LETTER published in the *Railway Review*, charging a highly placed official of the London and North Western Railway with drunkenness, has been found libellous, and twenty-two of the witnesses subpoenaed for the defence have, after an inquiry held by

officials of the Company, been punished, some by degradation or removal, others by dismissal. The step thus taken by the Directors has been bitterly resented, and threats even of a general strike have been not infrequently heard. The statements made on behalf of the Directors that "a combined effort" had been made to get rid of a superior officer, and that the steps subsequently taken had been necessary in the interests of discipline, have increased the feeling of resentment against what is felt to be unjust treatment; and the reconsideration of their decision by the Directors, after appeal by the men, has done little to relieve the situation, as only a small number of the employees have been reinstated.

SEVERAL considerations lead to the conclusion that the Company has been badly advised in the present instance, and that, their official having won his case, and obtained substantial damages, no further action should have been taken unless the Company was prepared to take out summonses for conspiracy, or the Crown to charge with perjury. Neither of these sequels appears to be contemplated, and under these circumstances it seems that the more dignified course to have adopted would have been to leave the matter where the £1,000 damages left it, the men, no less than the offending paper, having thus got their answer at the hands of the law.

As things stand, the evidence produced seems to show, not conspiracy, but rather that men in good faith made statements that could not be substantiated. The writer of the anonymous libellous letter has made himself known in a statement read before the Directors, and, denying all combination, has asserted that the letter was an entirely spontaneous act. The Directors are perhaps not without suspicion that, even if this statement be true as regards the witnesses subpoenaed, the publication of the letter in the organ of the Amalgamated Society of Railway Servants implied a premeditation on the part of some, to which they would be justified in taking strong exception, but even so it is a matter for regret that the avowal of the authorship of the letter was not made the opportunity by the Directors for withdrawing from the position they had taken up with regard to the actual witnesses in the case.

It is evident that the matter will not rest where it is, but the Executive of the Men's Society has come to a wise decision in instructing their general secretary, Mr. Bell, to take, as the next step, such legal action as he may think necessary. Should, however, the advice of counsel be against further action at law, or should the Court be able

to give no redress, the question will again confront the men as to what the next step then should be: should they strike? Strong though the inducement might be to take this plunge, it would, I venture to think, be an error. Even if successful, the public and the men themselves would certainly suffer far more than the management and the shareholders, and still, arguing the question on a purely material basis, it would appear that for the men who have been displaced the wiser plan is to aid them out of well-filled coffers, rather than to impoverish the men's organization and dislocate a great railway system. At present public opinion appears to be mainly on the side of the men. It might be otherwise, after a failure in an appeal to the Court, and, in any case, the causes of an industrial dispute are apt to be forgotten, especially in the case of a railway company, in the worry and loss that ensue. It should also be noted that, save in the contingency of an unsuccessful strike, the men are almost certain to gain as regards the conditions under which they work through the amount of attention that the present affair has attracted to the directorate and the management of the Company they serve.

The Annual Report of the Amalgamated Society of Railway Servants for 1900 has been issued, showing a steady increase throughout the year. The total membership is returned at 62,023, as compared with 59,818 at the end of 1899. The expenditure has increased during the year, mainly through abnormal expenditure in the Orphan Fund (£8,665) and through movements for better conditions of service, but something over £20,000, out of an income of £74,000, was added to the reserve which, at the close of the year, amounted to about £240,000. A comparison is instituted between the years 1890 and 1900, showing that during the decade the Society has doubled its income, its expenditure, and the number of its branches, and more than doubled its members.

E. A.

CURRENT TOPICS.

THERE is before us the first report of the Industrial Law Committee on the administration of the Industrial Law Indemnity Fund. The Fund is designed to aid workpeople who have suffered dismissal in consequence of reporting violations of the labour laws to H.M. Inspectors of Factories, or to Inspectors under the Local Authorities, or of giving evidence in a prosecution conducted by any of these Inspectors. That there have been several hard cases of this sort is manifest from the details given in the appendix to the Committee's report. Besides relieving the dismissed and helping them to get new places, the Committee endeavours to disseminate broadcast among the

working classes information as to the laws designed for their protection. It is hoped that in time the work of the Committee will make itself felt by the bad employers and deter them from violating the law. To place the Indemnity Fund upon a safe basis, the Committee estimate that an income of at least £80 a year is required. They ask for annual subscriptions, which should be sent to the Hon. Sec., Mr. R. Balfour, 33, Bruton Street, W. The Chairman of the Industrial Law Committee is Mrs. Tennant, formerly her Majesty's Superintending Inspector of Factories. The Trustees of the Indemnity Fund are Lord Welby and Mr. Francis Buxton. Mr. Alfred Lyttleton, K.C., M.P., is its Hon. Legal Adviser.

THE Committee on Old-Age Pensions has for object "To watch the development of the Old-Age Pension Question; to collect and print information and statistics bearing on the matter; to endeavour to arrange for the publication of letters and articles on the subject in the daily and weekly papers; and to arrange for bringing influence to bear upon Members of Parliament, and especially members of the Government, with a view to the prevention of legislation of a pauperising nature." In pursuit of this plan, the Committee has issued a series of controversial leaflets, among which we notice a paper on State-Aided Pensions, by Mr. C. S. Loch, concluding that a negative answer must be given to the question: "Should the promise made to the people by many politicians that they should have Old-Age Pensions be fulfilled?" There is also, signed by C. S. L., a scathing account of the mistakes and mis-statements commonly made with reference to the proposed system. In a leaflet on Old-Age Pensions in New Zealand, Mr. Steadman Aldis disparages the recent Act. The local habitation of the Committee is 15, Buckingham Street, Strand. Mr. Bailward, late Chairman of the Bethnal Green Board of Guardians, is Secretary.

THE appearance of a turn in the tide of prices which we noticed last June (*ECONOMIC JOURNAL*, X, p. 275) has not been permanent. It is true that the yearly index-number for 1900 is, according to Mr. Sauerbeck, 75 against 68 for 1899, 64 for 1898; that the number for the third quarter of 1900, 75·9, is the highest quarterly average that has occurred since 1884. But this elevation has been followed by a fall. There has been a steady decline from 73·4 in December, 1900, to 70·6 in April, 1901. The average for the first quarter of 1901, viz., 71·6, contrasts with the average for the corresponding period in 1900, viz., 74·9. To find so low a quarterly average as 71·8 we should have to go back to 1889 (fourth quarter). These indications are borne out by the index-numbers of the *Economist*, which, having risen from the low water of 1885 up to 2,211 in July, 1900, and 2,235 in September, show a drop in January of 1900 to 2,126, in February to 2,075. It is natural to connect these

changes in the level of prices with the alternate rise and fall in the production of gold—the increase which set in a few years ago, and the check to that increase which occurred last year in consequence of the Transvaal war, the world's production of gold in that year having fallen off by about a fifth (according to good authorities from about 63 millions to about 51 millions sterling).

THE first session of the Legislative Assembly of Porto Rico ended on 31st January. "The most widely discussed measure of the session was '*el Bill Hollander*' as the Porto Ricans call it"—substituting for old fashioned land tax, license duties and octrois "a property tax, an inheritance tax and a system of excises," in fact direct instead of indirect taxation. After a great deal of discussion, which led to the bill's being better liked because fully understood, it was carried through. It is in anticipation of the tariff between Porto Rico and the States being abolished in due course. The chief opposition was from burdened landed proprietors, who demanded an equivalent loan if the bill were to pass. They came near to getting their loan, but did not get it, though the bill passed. (From *The Nation* of March 7, 1901.)

PROFESSOR PANTALEONI has been called from the chair of Political Economy at Geneva to the University of Pavia.

PROFESSOR FLUX has accepted the chair of Political Economy at the McGill University, Montreal. He vacates the Cobden Lectureship and Jevons Professorship of Political Economy at Owen's College, Manchester, to which he was appointed in 1898 (See *ECONOMIC JOURNAL*, Vol. viii., p. 595).

REFERENCES to past numbers of the *JOURNAL* will in future be made easier by the Index which is presented to Members of the Association along with the current number of the *JOURNAL*. The Index has been prepared by Miss Ethel Faraday, the author of the index attached to Palgrave's *Dictionary of Political Economy*.

RECENT PERIODICALS AND NEW BOOKS.

Journal of the Royal Statistical Society.

March, 1901.

The State Monopoly of Spirits in Russia. ALEXIS RAFFALOVICH. [In all the provinces where the monopoly has been introduced there appears general improvement in the economic conditions of the population.] *A Review of Indian Statistics.* F. C. DANVERS. *The Growth of Municipal and National Expenditure.* The Right Hon. Lord AVEBURY. [A protest against expenditure on municipal trading and military preparations.] *The Prices of Commodities in 1900.* A. SAUERBECK (cf. above, p. 292). *The Statistics of Wages in the United Kingdom during the last Hundred Years* (Part viii.); *Wages in the Building Trade.* A. L. BOWLEY.

The Economic Review.

April, 1901.

The Indian Currency "Experiment." W. W. CARLILE. [By the Mints not having been sooner closed India lost some £31,000,000.] *Temperance Reform: What blocks the Way?* Rev. T. C. FRY. *Life in Manufacturing Towns of Lancashire and Yorkshire.* J. G. LEIGH. [A sombre picture of life in a town of forty thousand inhabitants.] *John Woolman.* Miss E. C. WILSON. *The Demands of the French Miners in the Pas-de-Calais.* YAN' KERAVIC. *Recent Progress of Labour Co-Partnership.* ANEURIN WILLIAMS, HENRY VIVIAN. *The Prospects of a Stock Exchange Boom.* WALTER F. FORD.

The Quarterly Review.

April, 1901.

British Agriculture in the Nineteenth Century (continued from January).
The entrusting of the management of sewage to local politicians

has committed us to a plan which experts pronounce unsound. The municipal supply of houses will thrust out the business element and become "a disreputable mixture of politics and charity."

The Contemporary Review.

March, 1901.

The Compulsory Purchase of Irish Land. Judge O'CONNOR MORRIS. The banishment of Political Economy to Saturn by the land law of 1881 and the cognate Conservative legislation have not worked well. Capital avoids Irish land. Agriculture has declined. Compulsory purchase is wholesale robbery.

May.

The Economic Decay of Great Britain. The Author of "Drifting." Whether we look to agriculture or manufactures, to mining or shipping, decay is manifest. The increase of property paying income-tax is due to a transfer of income from non-tax-paying into tax-paying hands. "The British nation is living on its capital."

The Department of Agriculture and Technical Instruction for Ireland continues its work of advancing and diffusing knowledge bearing on Irish industry. Under the former head may be placed some experiments on the growth of tobacco and sugar beet in Ireland which are recorded in the third number of the Journal issued by the Department. The success which has attended the cultivation of tobacco on certain "trial-plots" seems at least sufficient to justify further trial. The sugar-beet grown at Glasnevin and Cork contrasts favourably with the German product. The Journal also abounds with useful statistics (*e.g.*, of Irish crops) and abstracts (*e.g.*, of the Money-Lenders' Act).

Mind, vol. X., N.S., No. 38, has an article on *Current Sociology*, in which Mr. Sidney Ball shows by a critical review of several authors that Sociology has still got to make good its scientific pretensions. "The action of economic interests and motives is almost a neglected element in a good deal of current Sociology. . . . Economic Sociology can only exalt itself by humbling itself, that is, by being content to be scientific."

The Journal of Political Economy (Chicago).

March, 1901.

J. B. Clark's Formulæ of Wages and Interest. R. S. PADAN. *The Railway Policy of Canada.* SIMON J. MCLEAN. *The Place of Advertising in Modern Business.* EMILY FOGG-MEADE. [Adver-
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tising directed to the consumers would still prevail in a régime of combination.] *The Opposition to Municipal Socialism in England.* HENRY JOHNS GIBBONS. *The Report on the Census of Porto Rico* is analysed by W. C. MITCHELL.

The Yale Review (New Haven).

February, 1901.

Crises and their Management. CHARLES A. CONANT. *Direct Taxes and the Federal Constitution.* CHARLES T. BULLOCK.

The notes contain a summary of the interesting census of Cuba which has been lately issued.

Sound Currency (New York), now a quarterly publication, continues to justify its title. The number for March, 1901, contains an interesting articles on the Currency Question in the Philippines, the Currency Legislation of the 56th Congress (that which expired last March), and the Deposit and Clearing House System of Austria-Hungary.

Journal des Économistes.

March, 1901.

La Suppression des Congrégations religieuses et l'Expropriation de la Mainmorte ecclésiastique en Italie. VO. RACCA. *Sociétés secrètes et Assurances fraternelles aux Etats-Unis (suite et fin).* G. N. TRICOCHÉ. *Un nouveau Monopole : Le Rachat des Chemins de fer.* E. RATOIN. *Mouvement scientifique et industriel.* D. BELLET.

April.

Un Professeur d'Économie politique sous la Restauration : J. B. Say. ANDRÉ LIESSE. *Le Mouvement financier et commercial.* MAURICE ZABLET. *Revue des principales Publications économiques de l'Étranger.* E. MACQUART. *La Lutte contre les Relèvements du Droit sur les Céréales en Allemagne.* A. RAFFALOVICH. *Les Dessins de la Civilisation.* F. PASSY.

May.

Un Professeur d'Économie politique sous la Restauration : J. B. Say. A. LIESSE. *Le Problème des retraites.* E. ROCHETIN. *Le Mouvement agricole : L'Agriculture, la Science et l'Association.* L. GRANDEAU. *Revue des Publications économiques en langue française.* ROUXEL. *La Question des Sucres en 1901.* E. MACQUART. *Quelques Aspects de la Question ouvrière en Italie.* P. GHIO.

Revue d'Économie Politique (Paris).

April, 1901.

La nouvelle Réglementation de la Journée de Travail. M. BOURGUIN.
Le Système des Impôts directs d'Etat en France (suite). H. TRUCHY.
L'Agriculture moderne et sa tendance à s'industrialiser (suite). J. HITIER. [The balance between the law of increasing and decreasing returns is skilfully held.]

La crise du Vin en France et les Associations de Vinification. CHARLES GIDE.

French vineyards now produce more than 300 hectolitres per hectare, a tenfold increase on the era before the phylloxera, due to five factors, of which the greatest is water, renewing the miracle of its conversion into wine. While the production is increasing, there is a diminution of consumption, due partly to the competition of stronger drinks, partly to the reaction against all alcoholic drinks. Unfortunate wine is eschewed both by the hard drinkers and the total abstainers. From the changed relation of supply to demand will result a fall of price; from the conditions of production a lowering of quality. The remedy might have been perhaps *laissez-faire*, an open door allowing France to export to Spain and Italy. The writer hopes more from associations of cultivators, whereby price may be adjusted to quality, and the taste of consumers vitiated by the present system may be corrected.

M. Leroy Beaulieu, who prophesied some twenty months ago, in *L'Economiste Français*, that the South African War would cost Great Britain some four or five milliards (of francs), in a recent number of the same journal, points with complacency to the fulfilment of his prophecy. He adds that the fall of Consols to their present position from 112-114 is not indeed altogether, yet *half*, due to the war. The permanent rise of military expenditure is another evil consequence. As to the coal tax, M. Leroy Beaulieu refers to his *Traité de la Science de Finance*, where it is maintained that an export duty may in certain cases be expedient, but that a duty on the export of coal from Great Britain is not one of those cases.

Jahrbuecher für Nationaloekonomie (Jena).

February, 1901.

Das Finanzwesen des Deutschen Reichs unter Kaiser. SIGMUND A. NUIGLISCH. *Die Verfügungsfreiheit über ländliches Grundeigentum.* F. W. R. ZIMMERMANN. *Von der ersten russischen Volkszählung.*

March, 1901.

Borsenmässiger Terminhandel in landwirtschaftlichen Produkten in Oesterreich. H. SCHULLERN-SCHRATTENHOFEN. *Die sozialistische Bewegung in England.* H. W. WOLFF.

April.

Der untergang der mittelalterlichen Stadtwirtschaft . . . G. v. BELOW.
Die Grundbesitzverteilung in der Nordostschweiz. G. CARO.

The main results of the German census, taken in December, 1900, are cited by Friedrich Zahn. The total population for the German Empire is 56,345,014, showing a growth of nearly 8 per cent. over the total for 1895, of more than 37 per cent. over the total for 1871.

Zeitschrift für Volkswirtschaft (Vienna).

Bd. X., Heft II. (1900).

Die Lohnfonds-theorie. DR. OSKAR JAEGER. *Der Spieleinwand bei Börsen-Speculationsgeschäften.* DR. W. ROSENBERG.

The *Archiv für Soziale Gesetzgebung* (Berlin), Band XVI., Heft 3 and 4, has an article on the Inspection of Manufactories in New York, by Florence Kelley.

De Economist (La Hague) for April—May has an article on the Working of Trusts, by Professor J. Baron d'Aulnis de Bourrouill.

Ekonomisk Tidskrift (Stockholm).

In an article devoted to the criticism of the new German taxes on Department Stores, in a recent number of the *Tidskrift*, Hr. Cassel gives some interesting information as to hours, conditions of employment and wages obtaining in the great house of Wertheim in Berlin.

"The hours are from 8 a.m. to 8 p.m., excepting in the month of December and for a week preceding Easter and Whitsuntide. Any other exceptions to the rule are to be avoided as far as possible. A dinner interval of 2 hours, and two further meal-times of 18 minutes each are allowed. A summer holiday without stoppage of pay is granted to the whole staff, including all grades, in accordance with the following table :—

After $1\frac{1}{2}$ years' service		2 weeks.
With less than $1\frac{1}{2}$ years' service	 $\frac{1}{2}$, 1 or $1\frac{1}{2}$	weeks.
For superior grades		$2\frac{1}{2}$ weeks.
For the highest grades		3 weeks.

"In cases where some help is necessary to enable individuals to take their holiday in the country, it is available, according to the

discretion of the management. In case of sickness, a longer absence from business without stoppage of pay may be granted, and some additional assistance for recreative purposes as well. Dismissal can only take place after the question has been considered, and a decision arrived at, by three of the superior officials and, if required, a head of a department shall act with them. If the case concern a female, the consideration of it shall be by three females.

"The rates of payment at the establishment in Leipzigerstrasse are as follow :—

(a) Average annual wages :—

Shop-staff	Men	4,058 marks (say £200)		
	Women. 1. Administration and offices	1,116	„	„ £55)
	2. Counter-hands	1,068	„	„ £53)
Other workmen		1,320	„	„ £65)

(b) According to grades :—

Men (shop-staff).		Women (shop-staff).		Workmen.	
Under 2,400 marks	18 %	Under 840 marks	10 %	Under 1,080 marks	8 %
2,400-3,000	„ 20 %	840-960	„ 20 %	1,080-1,200	„ 3 %
3,000-4,000	„ 26 %	960-1,200	„ 48 %	1,200-1,380	„ 14 %
4,000-6,000	„ 23 %	1,200-1,440	„ 15 %	1,380-1,500	„ 59 %
6,000 and over	„ 13 %	1,440 and over	„ 12 %	1,500 and over	„ 16 %

(c) Fixed minimum rates :—

Men, unmarried	} (shop-staff) {	1,500 marks
Men, married		2,400 „
Women, 18-19 years of age, living at home		660 „
Women, 18-19 years of age, living by themselves ...		840 „
Women, 20 years of age, living at home		780 „
Women, 20 years of age, living by themselves.....		900 „
Workmen, 19 years of age, unmarried		900 „
Workmen, 20 years of age, unmarried		1,080 „
Workmen, 21 years of age, unmarried		1,200 „
Workmen, married ..		1,380 „

Overtime rates to workmen are 60 pf. (7d. approx.) per hour.

"A pension-fund scheme had been prepared some time ago and was to have come into force at the end of 1899. The contributions to it were to have been made by the firm alone, and, with the existing staff, would have amounted to 50,000 marks (say £2,500) per annum. The proposed new taxation, and its influence on the business, have led to the abandonment of the scheme, for the present at any rate."

Elsewhere in the article cited it is stated that the number of employés in Wertheims amounts to some 2,300 persons, and that the rental assessment of its premises in 1898 was 700,000 marks. For comparison, it is stated that Whiteley's employ about 4,500 persons.

Other numbers of this Journal have been largely occupied with discussions on taxation, especially local taxation. The Editor deals with the report of a Parliamentary Committee on the subject in the last two numbers of last year; Hr. G. Cassel discusses the bases of direct taxation, with reference to the same report, in the January number, and Knut Wicksell contributes a discussion of succession

duties to the February number, raising the question whether progressive duties on succession are to be rightly classed as taxes, or are to be regarded, as some hold, as confiscatory. He is not able to class them as taxes proper, but adopts Wagner's view of them as taxes on 'Anfall,' levies on gains secured without corresponding economic effort or sacrifice. The problem of bank-note issues continues to occupy attention in Sweden, and is discussed in the first two numbers of the current year, as is also a proposal for legislation on the subject of usury. The March number contains an article by Hr. Cassel, in which he dwells on the importance of the accumulation of capital, and the modification of any comparison of the average income of different classes which results from making appropriations for this purpose before calculating the amount available per head. A note on the development of the clearing-house organisation in Sweden is also contained in the same number.

Giornale degli Economisti (Rome).

March, 1901.

Utilita Limite e Costo di Riproduzione. D. BERARDI. *Un Capitolo di Storia Sociale della Francia.* R. DALLA VOLTA. *La Teoria del Salario nella Storia delle Dottrine e dei Fatti Economici.* A. GRAZIANI. *A Proposito del Censimento.* R. BENINI e L. BODIO.

April.

Commemorazione di Francesco Ferrara. T. MARTELLO. *Un Capitolo di Storia Sociale della Francia.* R. DALLA VOLTA [continued]. *La nuova Scuola Universitaria d'Agricoltura fondata alla Casa di Risparmio di Bologna.* G. VALENTI.

May.

Commemorazione di Angelo Messedaglia. A. DE VITI DE MARCO. *Angelo Messedaglia.* G. VALENTI. *Il Principio della Convenienza Economica e la Scienza delle Quantita.* P. BONINSEGGNI. *Le Casse Postali di Risparmio in Austria-Ungheria.* F. SARTORI. *La Réclame di una Società d'Assicurazione.* U. GOBBI.

La Riforma Sociale (Turin).

January, 1901.

Gli Italiani in Inghilterra. GIUSEPPE PRATO. The last of three articles describing the part taken by Italians in the industrial life of England, including Ireland, where Bianconi's cars were so successful.

April.

Sul Valore di Monopolio. FABRIZIO NALOLI.

Among the "Questions of the Day" Professor Graziani considers

some newly proposed taxes. A hopeful view of *Spain after the War* is presented by Damian Isern, of the Spanish Royal Academy.

In *Nuova Antologia* (Rome), May, 1901, Professor Achille Loria descants on *the recent victories of Gold*: in Japan, in the United States, in India. "When on the celebrated (*leggendarie*) banks of the Ganges the yellow metal shall be enthroned, then at last will sound the funeral dirge of its pale rival, and the dangerous illusions of bimetallic doctrinaires will find an unhonoured sepulchre."

Russian Journal of Financial Statistics (St. Petersburg).

The second specimen number of this Journal, of which the first was noticed in the *ECONOMIC JOURNAL*, Vol. X., p. 132, appeared in February, 1901. It presents a great variety of statistics, accompanied with trenchant criticisms of "Blunders, official and other." The next number will come out January 1, 1902. Subscribers will receive, at various periods in the course of the year 1901, several issues, from one page to several sheets, containing the latest information of current interest on statistics and financial legislation. The contents of these preliminary issues will be incorporated in the volume for January 1, 1902. The annual subscription is £1 or \$5, payable by cheque on any Bank in the United Kingdom or in the United States.

NEW BOOKS.

CARLILE (W. W.). *The Evolution of Modern Money*. London: Macmillan and Co. 1901. Pp. xxiii, 373.

CHEYNEY (E. P.). *An Introduction to the Industrial and Social History of England*. London and New York: Macmillan. 1901. 8vo. Pp. 317. \$1.40.

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CORDLINGLEY (W. G.). *Guide to the Stock Exchange: An explanation of every mode of speculating in stocks and shares*. London: Wilson. 1901. 16mo. Pp. 134. 2s.

CROTCH (W. WALTER). *The Cottage Homes of England*.
[The case against the housing system in rural districts is stated.]

DEGUID (C.). *How to read the Money Article*. London: Wilson. 1901. 8vo. Pp. 138. 2s. 6d.

DEVAS (C. S.). *Political Economy*. Second edition, rewritten and enlarged. London and New York: Longmans. 1901. 8vo. 7s. 6d.
[The first edition appeared in 1883.]

MACKENZIE (MALCOLM). *Social and Political Dynamics*. London : Williams and Norgate. 1900. Pp. xxiii, 424.

[“Instead . . . of economics being a science of commerce and political society it is pure nescience ; for it contains nothing but illusions and sophistry on the monetary Measure of Contract, Property, Commerce and Government. . . .”]

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[Reviewed above.]

OWEN (H.). *The Staffordshire Potter, with a chapter on Dangerous Processes by the DUCHESS OF SUTHERLAND*. London : Richards.

ROOT (J. W.). *Studies in British National Finance*. Liverpool : J. W. Root. 1901. 8vo. 2s. 6d.

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[An account of the work of the Metropolitan Board of Works and the London County Council.]

American Economic Association, *Papers and Proceedings of the Thirteenth Annual Meeting*. New York : The Macmillan Co. Pp. 292. \$1.25.

[Among a variety of subjects handled may be noticed *the taxation of quasi-public corporations* and *the next decade of economic theory* ; Professor Seligman taking the lead in the discussions on both subjects.]

KENWORTHY (J. C.). *The Anatomy of Misery. Plain Lectures on Economics. With an Introduction by Count Tolstoy*. Boston : Small, Maynard & Co. 1901. 12mo. Pp. 111.

VAN MARKEN (J. C.). *Industrial Social Organisation*. London : Sonnenschein. 1901. 8vo. 2s. 6d.

[In the Social Science Series. Translated.]

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WILLIS (H. P.). *A History of the Latin Monetary Union*. Chicago : Univ. of Chicago Press. 1901. 8vo. Pp. 332. \$2.

WILLOUGHBY (W. FRANKLIN). *State Activities in relation to Labour in the United States. (Johns Hopkins University Studies.)* Baltimore : Johns Hopkins Press. Pp. 91.

YOUNG (J. P.). *Protection and Progress. A Study of the Economic Bases of the American Protective System*. Chicago : Rand, McNally & Co. 8vo. Pp. 586. \$1.25.

[Protection is advocated not merely to foster industries, but as a permanent policy.]

SIMON (C.). *Considérations sur la Baisse du Prix du Blé en France et les Moyens d'y remédier*. Paris : Roustan. 1900. Pp. 103.

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BRENTANO (Prof. L.). *Das Freihandels argument.* Berlin : Buchverlag der "Hilfe." 1900. 8vo. Pp. 23. 50m.

[A revised and enlarged public address, in opposition to the proposed duties on grain.]

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KOWALESKY (M.). *Die Okonomische Entwicklung Europas.* Berlin : R. L. Prager. 1901. 16mo. Pp. 539.

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[Reviewed above.]

RICCA-SALERNO (G.). *La Teoria del Salarario nella Storia delle Dottrine e dei Fatti economici.* Palermo : A. Reber. 1900. 8vo. Pp. 700. 12 l.

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THE ECONOMIC JOURNAL

SEPTEMBER, 1901

ECONOMIC CONDITIONS IN ANCIENT INDIA.

TILL within the last quarter of a century, the economic historian, when coping with the subject of early civilization in the East, was no better off than the early Israelite, who was ordered to make bricks and given no "straw." With the exception of the Semitic literature of the Near East, he was almost without historical data. Professor Cossa has defined the history of political economy as "the reasoned narration of the origin and progress of economic theories considered in relation to conditions, ideas and social institutions." But if a given epoch be very remote, the theories may not have attained to distinctive expression, and may have to be dug out of relatively unspecialized records. Again, the social conditions must be known if they are to be related to the theories. And the economist, looking around for his data as extracted and collated by specialists, often goes hungry away and writes down the age as "epoca frammentaria."

Of ancient India in particular, it is but since yesterday that early records have to any large extent begun to be accessible. Nor has the literature now opened up to readers of English yet been sifted for evidence as to the economic institutions, much less the economic theories, which prevailed within the area and during the epoch of its growth. No one as yet has compiled from it what Professor Cossa would term "discipline economiche storico-descrittive," such as August Boeckh attempted in his *Staatshaushaltung der Athener*. "Fragmentary" as the data may be, they are still ungathered into baskets. Hence, although the distinguished economist quoted above gave the world his *Guida*, re-written and enlarged into the *Introduzione*, as late as 1890, he

was unable to throw any new light on to. Eastern economic history. The contents of that one solitary paragraph entitled "Oriente" are so meagre and shadowy that we are left very much where readers of Niebuhr's *Lectures on Ancient History* found themselves, when under India they found a blank left unfilled with a purpose. The authorities cited are all too superannuated, as neo-Oriental learning reckons, to supply such data as were even ten years ago available to the monographist.

It is true that in having failed, so far as we know, to produce historiographers and dramas, ancient India as compared with ancient Greece suffers heavily in her supply of economic ore. Archæological discoveries, too, are still largely to make, owing chiefly to our curious national supineness about matters calling on the historic imagination. On the other hand there are now ready to hand some compensating treasures. Since the year 1879, in the first place, in the series of the Sacred Books of the East, there have been published a considerable number of so-called law-books, or text-books on conduct and custom taught, at the date of compilation and after, in various ecclesiastical colleges, to young Indian laymen. That date ranges, in the case of the older books, from B.C. 300, if not earlier, to A.D. 1; the law-book known generally by the name of Manu dates between B.C. and A.D. 200; and the later law-books are assigned to the fourth or fifth centuries A.D. Here we have manuals, written by Brahmanic priests with a keen eye to the spiritual and material interests of their class, yet from which, if this personal, or rather corporate equation be discounted, many hints may be gathered respecting trades and taxes, exchange and credit.¹

In the next place the last twenty years have witnessed the publication in English or German of a large part of the original Buddhist canonical works, the compilation of which is assigned to the fifth and fourth centuries B.C. Here, again, the standpoint is that of the religious fraternity, the object, that of religious philosophy. But it is not a philosophy of the arm-chair or of the cell, but of the open air and of the daily life of men in touch with their lay fellows. Hence incidentally there are to be found illustrations of social institutions.

Much more is this the case in the great thesaurus of folklore—the parent of much of our own mediæval fiction—which was

¹ Investigation into the *political* institutions revealed by these law-books has been already set on foot in such monographs as Dr. Foy's *Die Königliche Gewalt nach den altindischen Rechtsbüchern*, and Dr. Carlo Formichi's *Gl' Indiani e la loro scienza politica*, Pt. I.

incorporated into the Buddhist canon as the Jātaka, or Re-birth-Stories, and of which two-thirds have already been translated into English. Folklore is of course not good statistics; incidentally and accidentally, however, these hundreds of tales with their introductory episodes, serve to illustrate, if not the times to which they refer, at least the times when they were definitely compiled and incorporated. In other words, they may be consulted for evidence of social usages prevailing in Northern India between the sixth or seventh centuries B.C. and the date of the Emperor Asoka, who reigned about fifty years later than Alexander the Great.¹

Nor is the recent accession of material exhausted by the works named above. Among the volumes of the *Sacred Books of the East* there are the *Questions of King Milinda* (Menander of Bactria) and assigned to the first centuries A.D., containing references to economic usage. And, to revert to an earlier age, there are also the volumes entitled the *Shata-patha-brāhmaṇa*, or orthodox exegesis of Brahmanic ritual, a compilation dating from about B.C. 800. The subject does not sound promising for the economist, and yet, as will be seen presently, the work contains passages of special interest on the methods of purchase then current.

Such are some of the more noteworthy records of ancient India which have been added to the materials awaiting historical investigation since the day when the oldest of all Indian literature—the Vedic—began to woo the cramped affections of European scholars. That literature has already, to some extent, been analysed for what it reveals of Aryan society in Zimmer's *Alt-indisches Leben*. And for what remains, nearly every year sees the publication either of the translation of some ancient record, or at least of its transcription from palm-leaf manuscript into book form. To attempt here and now a complete economic survey or special monograph from these materials is not feasible. But the attempt may reasonably be made to show that, given the greater insight now afforded into the economic institutions prevailing in the valley of the Ganges during the last six centuries of the pre-Christian era, it is possible to make a better contribution to the history of political economy than is afforded by the antiquated works which have guided Professor Cossa in his brief section "Oriente."

¹ Dr. Fick's pioneering monograph *Die sociale Gliederung im Nordöstlichen Indien zu Buddha's Zeit* is a valuable example of the sociological importance of the Jātaka, the writer having drawn his materials almost wholly from this work.

Let us first consider what is there affirmed concerning "the economic ideas of the peoples of the ancient East." They are said (1) to be reducible to a few ethical precepts, and (2) to extol agriculture and to decry arts and commerce. And concerning economic institutions we are told (3) that, whereas agriculture flourished, division of labour, though politically free, stiffened into a system of hereditary caste and arrested economic progress. (4) Any insight into the nature of money and its "fiduciary surrogates" is credited to the Chinese alone, and to them no earlier than the seventh century A.D.

Now I should like to monopolise the pages of the *ECONOMIC JOURNAL* just long enough to indicate that these four points, viewed by the light of materials now accessible, are shown, so far as ancient India is involved, to require serious modification.

I do not propose to harass the reader with giving chapter and verse for every detail of economic evidence brought forward. All, unless it is stated otherwise, are drawn from the materials now made accessible to which I have referred above. That this is so, the reader who wishes to do so may verify, by consulting an article in the October number of the *Journal of the Royal Asiatic Society*, the object of which is the presentation of a quantity of classified economic material from early Indian literature.

Let us briefly consider first the rural economy, and next the commercial development of the peoples dwelling on the Ganges and its tributaries, both before and at the time when Megasthenes was residing as ambassador at Pataliputta (Patna), *i.e.* about B.C. 310. Over this great area no paramount sovereignty had till then been established. It was divided into some half dozen monarchies and a few aristocratic republics (Sākya, Koliya, Licchavi, &c.), where every clansman was termed a *raja*. Such had been the issue and development of the influx of Aryans from the north-west who had subdued and assimilated the Dravidians and the Kolarians, their precursors in civilization. This congeries of states had maintained a political equilibrium—a *pax indica* of balanced powers—till Alexander had come disturbing as far as its western limits. Frustrated on the Indus, and unheeded by contemporary Indian literature, his ideal of empire fructified in one of these monarchies of the Ganges—that of Magadha (Bihar)—and culminated in the empire of Asoka. But agriculture and commerce did not wait upon empire to develop to any striking extent the considerable degree of organization to which they had already attained.

Rural economy was based on the system of village communities of land-holders, not on that of feudal landlords. We nowhere read of isolated houses, or of great lords of the soil, lay or ecclesiastical, owning farms and serfs. The kings are never mentioned as interfering with rights of tenure. In return for giving political protection, they levied a *tithe* on the raw produce—chiefly rice and cattle—of each village, varying between a tenth and a sixth.¹ And this tithe, in the case of one or more villages, they are often represented as making over to queens or commoners; but never the villages nor the soil is thus bestowed. No ancient records give any systematic account of this rural economy, but it is impossible to read of the many illustrations of it in the Buddhist books without being reminded of some characteristics of modern communities of peasant proprietors, those of Alpine districts, for example. Dwellings appear to be always in groups; near by the sacred grove of primeval forest is left intact; this excepted, all around stretches the communal field with a ring fence to keep off marauding animals, but no inner fences, the boundary of each householder's plot being the channels dug for purposes of co-operative irrigation. The Buddha is recorded to have beheld "how the Magadhese arable land was divided ray-wise and in rows and by outside boundaries and by cross boundaries," and ordered it should serve as a pattern for the "khaki" patchwork robe of his fraternity (*Sacred Books of the East*, XVII., 207, 208). There was also the common grazing ground, where the cattle roamed under the charge of the communal cowherd who managed the co-operative "laiterie." And just as Alpine peasants agree to contribute by rote so many days' work during the year to maintain their roads, so we find, in the Jātaka stories (I., No. 31), the thirty householders of a Magadhese village co-operating not only to keep their four highways and their byways cleared and in repair, but also to build a vestry hall and rest-houses and to dig reservoirs. Certain women insisted on contributing their share of work and expense, and their king is described as remitting the royal tithe. Another instance of corporate initiative is that of enclosing a royal hunting preserve and handing it over to the king, so as to protect the village field from the inroads of game (I., No. 12; III., No. 385). We meet with the village crop of grain amassed in "the granary," and the chief revenue officer supervising the measuring off of the

¹ This was not changed under the empire. On the pillar, lately discovered at Rummin Dei, is inscribed the remission in perpetuity of the tithe of one-eighth to commemorate the pilgrimage thither—to the birth-place of the Buddha—of Asoka.

royal tithe (II., No. 276; IV., No. 467). But the records are not clear as to whether the remainder was taken away to private barns or left here; or whether the granary thus mentioned served for that reserve store of grain in case of emergency, which was made universally and from time immemorial in India until about the middle of the last century.¹ That famine, or at least local scarcity through drought was well known is clear from the Buddhist records.²

Such, in very brief and meagre outline, were the salient features in the ancient rural economy of northern India. The cultivation of few or many karisas of arable land did not, any more than did the possession of few or many cows, necessarily monopolize the whole time of the family. Industry was so far specialized and localized that we not seldom read of villages of carpenters, of ironsmiths, of backwoods villages of trappers, and of villages of brahmins, *i.e.*, of men claiming through heredity the monopoly of sacred lore and sacrificial celebrations. But there is no indication that these specialized groups derived the means of existence entirely through the exchange of their own produce or services with dealers, or through fees from without. On the contrary, brahmins appear frequently in the *Jātaka* stories as cultivating their own acres, aided sometimes by their families and slaves or hired labourers. And in at least one case such a person, owning a thousand karisas, is described as living in a brahmin village. (*Jātaka*, Vol. IV, No. 484). There were, however, brahmins and brahmins. Those who took their hereditary sacerdotal functions seriously undertook no worldly calling, abstaining from agriculture as much as from hunting, trade or usury. This appears already in the folk stories.³ But the law-books expressly reserve the callings of agriculture and trade for the middle class or, as they phrase it, the Vaisya Colour alone, as unfit for either the nobles (Kshatriya Colour) or brahmins. The latter might only engage in them either in distressful circumstances or if they took no active part in the work (*Sacred Books of the East*, II., 123, 225, 229; XIV., 11, 175, 176; XXV., 272, 325). Agriculture, then, was all very well as a trade among trades, but there is nothing in the records of the era in question to show that it was

¹ The inscription in Asokan character on the so-called Sohagaura plate, discovered a few years ago in Nepal by Mr. Hoey, shows that the plate was affixed to the door of an emergency grain-store.

² Megasthenes was told that a "general scarcity" was unknown, which possibly was not incorrect. (MacCrindle, *Ancient India as described by Megasthenes*, p. 2.)

³ *Jāt.*, Vol. IV., No. 495, "Some follow trade and husbandry . . . lost is their brahminhood."

regarded as more dignified than what is specifically understood as trade. It is considered unfit, in the brahminical tradition, for the ruling and learned classes. As involving a certain amount of destruction of animal life, it could not rank high in the tradition of Buddhists or Jains. Nor in those law-books where it is prescribed for certain classes, is it to them recommended as superior to other prescribed callings. In the earliest Indian literature, the Vedas, it is well known that agricultural and pastoral concepts play a great part. But even if this involved a special dignity ascribed to agriculture, as well as the more certain implication of its being the main industry of the Aryans, it does not follow that such a tradition continued through the post-Vedic era. There was among them nothing of that feudal tie between land and lord, with lordship over the land-tillers, that made broad acres a basis for nobility in the West. However the Aryans may have compassed their invasion of the Ganges valley, land-grabbing does not seem to have been carried out in any proportion to success in generalship. This may have been so because annexation of land meant to a large extent, as it does even to this day, clearing of land, *i.e.* of the jungle. Except for the Dravidian and Kolarian settlements along the rivers, the task of the Aryans was more like that of pioneering squatters in America. And there we know that land is not an appanage involving special privileges and duties, but a commodity like any other.

We will now see what may be gathered respecting the contemporary state of industry and commerce, giving especial heed as to the effect on their development of the evolution of "caste."

It may be affirmed as approximately true that the great bulk of the inhabitants of ancient Northern India lived under the conditions of rural environment just described, without riches or poverty, without landlords or paupers. In all the stories and episodes contained in the Buddhist canonical books, barely a score of towns are mentioned by name, though the area alluded to is about 600,000 sq. miles in extent. At the same time some at least of these are expressly called "great cities." By this was understood not only the central mass of dwellings with a royal residence with "terraces" and open courts, extensive mews and pleasure grounds, but also suburbs extending on every side, and, in the immediate neighbourhood, centres of localized industries, for woodwork, ironwork and pottery, for instance. Industries were also grouped within the towns themselves, as in European economy, mention being made of an ivory-workers' street, a

dyers' street and the like. Up to the age of Gotama Buddha, *i.e.* the sixth and fifth centuries B.C., the chief industrial and commercial centre was Benares, which seems to have had a practical monopoly in the production of the famous muslins and silks. After that date Patna began to advance as a great emporium, and, under the empire, became the imperial residence. Communication, both inland and foreign, was of course effected by caravans and by water. The former are frequently brought into the folk-lore. They are described as consisting of the, so to speak, symbolical number of 500 carts drawn by oxen, the merchant himself travelling along in a special car, and the caravan, as often as not, convoyed through the jungle by a body of voluntary constabulary, engaged at a fixed money-fee to keep off robbers. Their route seems to have been usually from east to west, and across deserts that took days to cross and for which a "land pilot," steering during the cool of night by the stars, was required. The objective was probably the ports on the west coast:—those on the seaboard of Sovira (? the Sophir [Ophir] of the Septuagint), in the Gulf of Cutch, or Bharukaccha, *i.e.* the modern seaport of Baroach. From here there was interchange by sea with Baveru (Babylon) and probably Arabia, Phenicia and Egypt. The deserts would thus correspond to the great desert of Rājputana. From Sindh, too, and from "the North," horses were imported to the Ganges valley. Westward, merchants are often mentioned as taking ships from Benares, or, lower down, at Champā (Bhagalpur), dropping down the great river and either coasting to Ceylon, or adventuring, many days without sight of land, to Suvannabhūmi (Golden-soil, Chryse Chersonesus, or possibly inclusive of all the coast of Further India). The vessels seem to have been constructed on a fairly large scale, for we read of them carrying "hundreds" of merchants or of emigrants. The numbers given in the folk-stories are of course worthless; but the current conceptions revealed in them may count for something.

Now in passage (3) of Professor Cossa's section "Oriente," it is affirmed that labour, in spite of "liberty," stiffened and crystallised into hereditary castes, which impressed on Oriental civilization the character of immobility. The ancient records do not warrant any such conclusion. They go far to show that (i) whereas there was, in industry and commerce, little liberty *in the sense of absence of organization*, (ii) there was no such thing as a hard and fast division of the industrial world into hereditary groups or castes, but on the contrary there was a considerable degree of mobility both of labour and capital.

In all probability there was scarcely a single trade or calling but was organised as a gild (*seni*) with its own special rules and its acknowledged head. Master mariners, literally navigators, had also a recognised chief, so too had the profession of caravan constabulary, and, within the merchant profession, that of caravan leaders. Professor Hopkins, writing, a dozen years ago,¹ of Indian gilds, holds it an "early" reference to find them and the political validity of their corporate regulations mentioned in Manu. But the Buddhist books leave no doubt of their existence some centuries earlier. The "gilds" are frequently mentioned as a leading factor in the body politic summoned by and attending upon the king, either *en masse*, or through their heads or representatives who were apparently permanent court officials and even "great ministers." One of the Jātaka stories records the inception of further organization in the appointment of a permanent president over all the gilds vested in the person of the lord of the treasury (*Jāt.*, IV., No. 445). The leading gilds are spoken of as eighteen in number, "to wit, the Carpenters,² Smiths, Leather-workers, Painters and the rest." Of their special regulations we have as yet no evidence to show. Apprentices are often mentioned, but not the terms of apprenticeship. But that the gild as a body exercised a quasi-paternal control over its members is evinced by the ordinance of the Buddhist church, which forbade the giving religious orders to the wife of a member unless his gild had sanctioned it.³

This tendency of the Indian to mutual organization—in which he resembled his later kinsmen the Western Aryans of the Middle Ages—found further expression in the general institution still in force, of a headman or syndic in every village. And when the village consisted of the craftsmen of one localized industry, the functions of syndic and president of the local gild would be doubled in the same person. Such a functionary might attain a high social status, for instance, the "elder" of a village of 1,000 smiths is described as "a favourite of the king (of Benares), rich and of great substance" (*Jātaka*, III., No. 387).

The foregoing corporations are all "craft-gilds." The contemporary literature does not warrant the conclusion that the class of merchants or middlemen was organized in the same degree. Industrial organization was, and is, largely based on the

¹ "Position of the Ruling Caste in India," *J. Amer. Or. Soc.*, 1889.

² *Vaddhako* includes all forms of wood-work—joiners, cabinet-makers, shipwrights, cartwrights, &c. *Jātaka*, VI., pp. 22, 427 (of the text).

³ From the *Sutta Vibhanga*, a work yet untranslated.

circumstance of neighbourhood. The merchant was necessarily a wanderer. His corporate institutes, if he had any, would take effect in highly developed markets and at seaports. Nevertheless, as has been stated, caravan traders had their chief. Localization is at all events betrayed in the phrases—"the Vaisyas' street," "the *bourgeois* quarter" (*Jātaka*, VI., p. 485 of the text; Fick, *op. cit.*, 180 n).

Combined with this widespread corporate regulation of industrial life, there was unquestionably the tendency for the son to follow the father's craft. Nothing is more common throughout the Buddhist narratives than to find families characterized by their hereditary craft, and craftsmen called by their father's craft, *e.g.*, Smithson as = Smith. This, however, is not peculiar to India, but especially characteristic of all Aryan societies at, or up to a certain stage of development. Even of our own it was said only 50 years ago that the line of demarcation between different employments or grades of work had till then been "almost equivalent to an hereditary distinction of caste."¹ In modern India, no doubt, these lines of demarcation have intensified in the course of centuries, and have split up the industrial world into a, to us, bewildering number of sections, or, as we call them, castes, which may well involve the economic drawbacks which some writers have fancied were especially characteristic of ancient India. But in that ancient India we can say with assurance that the caste-system, in any proper or exact use of the term, did not yet exist. What we actually find is caste in the making.

The origin of caste must be sought in the fact that when Aryans subdued and settled down along with Dravidians and Kolarians, the fusion of races stopped short at *connubium* and commensality. To determine how, from these beginnings, the caste system came to form a phase in the evolution of occupation, remains a sociological task of great interest. But the notion of a permanent immobility of social strata must be given up, not only as to the past, but even as to the present. Castes have been and are still being made by series of slight changes in public opinion not perceptible to surface observation.²

During the age with which the present article is concerned the majority of the people were roughly distinguished into four classes or social ranks which, owing to ethnological beginnings, were

¹ J. S. Mill, II., xiv., 2.

² Cf. the modern instance described in Rhys Davids's *Dialogues of the Buddha*, I., 1899, p. 98, where the whole question is discussed at some length. See also Fick, *op. cit.*, h. 10, 11, on the subject of caste in general.

called *colours* or *complexions*. These were the nobles, the priests, the remainder of the Aryans (*Vaisyas*) and certain non-Aryan clans (*Sûdras*). Outside these, again, were certain aboriginal tribes (*Chandâlas* and *Pukkusas*) not confined to any one hereditary craft, and certain other such who did so confine themselves—rushworkers, trappers, cart-makers. All these are referred to as “low tribes,” “low trades.” Finally there were slaves, their servitude either due to conquest, debt, or crime, or else voluntary. They do not appear to have been maintained in large numbers, as in the West, in mines, farms or plantations. We find them engaged, few in number, as domestic servants and as a rule well treated.

But this division of colours conveyed, at the time of which I write, no import of any impassable barriers to economic mobility or progress. The law-books, written in the interests of priestly diplomacy, endeavoured to foster the pride of birth, which, in all countries, deters men from mingling freely with each other, and prescribed special pursuits for special “complexions.” But in the Buddhist literature we find in actual life considerable freedom of initiative. A king’s son cedes his share of the kingdom to his sister, turns trader and travels with his caravan. Brahmins work as husbandmen, as traders, as hunters, and as cartwrights. And the prince, whose wife in a fit of displeasure has returned to her father, apprentices himself in succession and without entailing subsequent social disgrace to the court potter, florist and cook, in order to gain access to her. Another, fleeing from his brother, hires himself to a neighbouring monarch as archer. The parents of another youth are represented as debating whether to let him enter the profession of a writer, an accountant, or of a money-changer, the father’s profession or “caste” not being so much as alluded to. Another young man of good birth but penniless starts on his career by selling a dead mouse for a tavern-cat at one farthing, turns his capital and his hands to every variety of job, and finally buys up a ship’s cargo on pledging his signet-ring as security, and realizes a profit of 200 per cent., winning with that the hand of the burgomaster’s daughter. (This youth ought to have become president of the United States.) Once more we read of a village of carpenters who being paid in advance for orders they failed to carry out, were dunned. Instead of “abiding in their lot,” as General Walker said of their descendants “with oriental stoicism and fatalism,”¹ they made “a mighty ship,” and emigrated, slipping

¹ *The Wages Question*, p. 177. *Jâtaka*, IV., No. 466.

down the river by night, and so out to sea, till they reached a fertile island. Stories, of course, not histories; nevertheless they serve to illustrate the degree to which labour and capital were mobile at the time when they were incorporated in the Buddhist canon, and before that time.

Enough has been said to show that social divisions and economic occupations were very far from coinciding. There was plenty of pride of birth which made marriage or eating together between certain ranks a disgraceful act to those reckoned socially as higher. And sons, especially among artisans, tended to follow the paternal industry. This was all.

And so far from there being any exclusiveness in ordinary intercourse between nobles, priests and commoners who had made or were making their fortunes in trade, we frequently find the sons of burghers the playmates and schoolfellows of princes and young brahmins.

Apart from certain "low trades" on which, either through their nature (butchering, for example), or through their monopoly by aboriginal tribes, a stigma rested, there was but one form of work that damned the doer in social esteem. This was to be a hireling. In the "greater family" a slave might receive even paternal treatment. But the hired worker, using other folks' capital and working for their profit, paid for his civic rights at the price of the citizen's respect. The only case of slave-beating in the *Jātaka* is that of a slave-girl let out to work for hire, and who had not brought home her wage (*Jāt.*, I., No. 97). In a list of callings, in Buddhist books, the hired labourer, not the slave, ranks among the lowest, among hewers of wood and flower-gatherers. And the prospect of peasant proprietors toiling on the estates of royal capitalists forms part of a prophecy of social decay. (*Questions of Milinda*, II., 209, 210; *Jāt.*, I., No. 77.)

I come to my last point—the methods of exchange in use in ancient India.

In the Vedic age—usually fixed roughly in the centuries dating from B.C. 2000—all exchange was by way of barter. But there was an approximation to a common standard of value in the shape of so many cows. Bargains were determined not by political or municipal authorities or body of dealers fixing prices in terms of bovine or other value, but by the particular "haggling" at each transaction. The *Rig Veda* has an interesting, if obscure passage,¹ depicting the mutually unsatisfied

¹ X., xxiv., 9. Cf. Zimmer, *Alt-indisches Leben*, 258.

greed of buyer and seller departing without coming to terms.

Coming to the post-Vedic or Brāhmana period, we still find that custom and theory (if one may so call it) prescribed the free bargain. In the Shata-patha Brāhmana, described above, we read that the form of haggling gone through in exchanging a cow for the soma juice required in sacrifice, is declared (*hysteron proteron*) to be the sanction not only for the vendibility of "any and every thing in this country," but also for the custom of "first bargaining and then coming to terms" (*arvāk panante parah sampādayanti*). That soma was bought with a cow may by this time have become a conservative survival characteristic of religious ritual. For whereas in Vedic times the transition to money payment was being prepared by the custom of giving so many *nishkas* or gold ornaments as gifts,¹ in the work just quoted, there is mention of the laity paying the priests with a fee of gold pieces each of a certain weight.

Now if we let 1,000 years elapse and consult the law-book known as Manu, we find that, whatever was actually the current practice, economic *theory* had touched the opposite extreme with regard to the act of exchange. Thus (VIII., 401, 402) :—"Let the king fix the rates for the purchase and sale of all marketable goods, having considered whence they come, whither they go, how long they have been kept, the profit and the outlay. Once in five nights, or at the close of each fortnight, let the king publicly settle the prices for the merchants."

With regard to the medium of exchange, too, all values in Manu are estimated in terms of money, including, of course, the current rate of interest. But the use of money was well developed long before Manu, together with such initial steps in the use of "fiduciary surrogates" as are possible without banking or political control of circulation.

The Buddhist books cannot be said to contain any statement of a theory of exchange. But there is also no indication that monarchs or other authorities "settled the prices for the merchants." Prices seem to have been settled, relatively to each other, very much by custom, with a range of market fluctuation (*Jāt.*, I., No. 1), and, in the case of scarcity values, on the zest of the purchaser. "My wife is at times as meek as a slave girl bought for 100 pence," reveals probably a customary price. In the well-known story of the Jetavana monastery the wealthy merchant buys the site at the fancy price demanded, viz., by laying down

¹ Zimmer, *op. cit.*, 259. *Sacred Books of the East*, XXVI. 69; XLIV., 275.

coins so as to cover the soil—a story which, on a lower ethical scale, has its counterpart in modern times. A court valuer, termed the *agglakâraka* or value-maker, plays a part in the *Jâtaka*, who inspects goods brought to the court, and fixes what it is worth the king's while to give. But he is not said to create the general market price thereby, although, in the evolution of the monarchy, he may have himself evolved into the Board of Price I have quoted from Manu (*Jât.*, I., No. 5; IV., No. 463).

Nor is there any indication of any organization of the market comparable with the well-developed regulation in wealth-production. The few cities had their permanent *âpanas* or shops, the keeping, literally spreading, of which is a mode of livelihood, and which are described as left open on the migration of a city population. And the great mass of the peoples, living in villages, no doubt held their weekly market on their respective borders with more or less of the gaiety of a fair as they do at the *hâth* of to-day. There is no word in the ancient vernacular for market-place, *i.e.* within the village or town. There is only mention of a central business-place, with or without a meeting-hall; also of cross-roads, and of wares—meat, *e.g.*—being sold there.¹ But I have only found a term for market-place in a cumbersome phrase in a commentary of the fifth century A.D.—“a place for the distribution of commodities.”

On the other hand there is no doubt but that the Buddhist literature reveals a society having the full use and enjoyment of a plentiful coinage. The worth of every marketable commodity, from a dead mouse and a day at the festival up to all kinds of fees, pensions, fines, loans, stored treasure and income, is stated in figures of a certain coin, or its fractions, and that is usually, either explicitly stated or implied to be, the *kahâpana*.² Barter occurs only among the poor, the Buddhist Order, who were not permitted the use of money, and in wild regions. As a *standard of value* it is probable that rice was appealed to and not money, which is admitted to have varied locally in value (*Jât.*, I., No. 5).

The nature of the *kahâpana* and its weight is matter for conjecture. But on the one hand we have the bas-relief on the Bharhut

¹ Cf. the Dutch word for shop: *winkel*, which in German and Norwegian = corner, but *from the inside* (ingle). Translators have used “market-town” and “market-place” for Indian words which contain, etymologically, no reference to market.

² We read once or twice in the *Jâtaka* of gold coins or pieces—the *māsaka* and the *nikkha*—*cf.* above *nishka*.

stūpa¹ (supposed to have been erected before Asoka), illustrating the laying out of the coins, or square punched pieces of some metal. On the other there are certain ancient Indian coins in the British Museum which closely resemble these, and are of copper, nearly as heavy as pennies (150 grs.). They have no date or inscription, but only a stamp, and are rather merchants' tokens than coins. But the narrative of the purchase of the monastery speaks only of "gold" brought and laid down, not of kahāpanas. India's wealth in gold, and her large export of it to Persia as early as the times of Darius Hystaspes are well known, and it is possible that she used to pay gold where we used to pay pennies. But the typical figure for a millionaire's wealth—800,000,000 (pieces)—amounts to £3½ millions, even if we reckon kahāpanas as pence. Again, the daily dole of a typically benevolent king or millionaire was 1,000 (pieces) at each of his six almonries, and here it seems more probable that copper money was meant.²

There does not seem to have been any anticipation of modern banking. Individual deposits of money with friends are alone mentioned. But money was lent directly to a large extent, and debtor and creditor frequently appear in the Buddhist narrative. A debtor dunned by creditors may not be admitted into the Buddhist Order. Putting away hindrances to the higher life is likened to a man who, having contracted a loan to set a business on foot, pays off the debt, and marries on the surplus. The pushful youth, mentioned already, "dealt in futures" by borrowing on security. The "debt-sheet" (*ina-panna*), or promissory note, is often introduced in narratives, creditors confronting their debtors with it. In the *Questions of King Milinda* appears, by way of simile, the bankrupt making public statement of his assets and his liabilities. Again, the sight of a deposited security recalling the circumstance of the pledging is given as a typical form of mental association. Such a security might be a signet-ring, or a son, or what not. Of the form of the promissory note itself we have as yet no recorded description, such as exists of those used in ancient Greece.

I can quote no instances of any precise rate of interest demanded from the Buddhist books, but we find both the institution of interest and that of the usurer in a canonical

¹ Illustrated in Cunningham's *Stūpa of Bharhut*, and *Coins of Ancient India*. I do not know of any warrant for rendering kahāpana by rupee, as is done in the translations of certain of the *Jātaka* stories.

² I have gone more fully into the subject of early Indian currency in the article referred to above. The use by one translator (*Jāt.*, II. and IV.) of rupee and anna for kahāpana and māsa is quite unwarranted.

work consisting of poems by Buddhist nuns (circa B.C. 400). A girl tells how her family was oppressed by usurers, and, unable to pay the accumulating interest handed her over as slave to a travelling merchant. Again in a *Jātaka* story, the commentarial interpretation of a gad-about wife going to folks' houses is that she makes her pretext the repaying of loans or the collecting of interest. But in the earliest of the law-books we read of not only a rate, but a legal rate of interest, viz., 5 māshas (= *māsaka* above) a month for 20 kārshāpanas (said to = 20×20 māshas), or 15 per cent. per annum. Other regulations concerning interest and credit follow.¹

The foregoing, it is true, shows but a slight progress made on the road to a development in the "fiduciary surrogates" of money. But I trust enough has been said on this and other points to substantiate my plea for a reconstruction of our outline history of economic life in ancient India, and to suggest the existence of a harvest ripening for historical investigation.

C. A. F. RHYS DAVIDS

¹ *Sacred Books of the East*, Vol. II., pp. 238-41. Elsewhere 16 māshas go to the kahāpana.

THE REPORT OF THE LOCAL TAXATION COMMISSION.

AFTER several years' labour the Royal Commission on Local Taxation have produced their final report¹ which relates to England and Wales. It consists of a majority report, separate recommendations by the chairman, a report by two members of the Commission, a separate report by five members on urban rating and site values, a report by one commissioner and various reservations and memoranda. In substance only the first five and four concluding chapters of the majority report represent the views of the majority of the commissioners, because the intervening chapters of that report are not accepted by several of the signatories to it. There are therefore, in fact, a large number of more or less conflicting opinions to be considered. In a short space it is impossible to describe or criticise all these various recommendations, and the following pages only deal with the central points to which the commissioners directed their energies. The terms of reference² are so expressed that it is hard to find out what they mean, but they seem to involve an investigation into the equity of our whole system of taxation.

The equity of a system of taxation cannot be fairly discussed until we have determined what the taxes are, that is, in what sense they are a definite burden upon individuals. This proposition may appear obvious, but it is not obvious to the majority of the commissioners. What taxes are charged on or in respect of real property? Certain death duties, income tax, inhabited house duty, land tax and rates. Death duties and income tax do not, except in certain details, treat real and personal property in a different way. The three latter taxes appear to be charged in respect of immovable property only. On what persons do they fall? Setting aside the inhabited house duty, let us consider the land tax and rates.

¹ [Cd. 638] of 1901. Subsequent references, unless otherwise stated, are to the pages of this.

² "To inquire into the present system under which taxation is raised for local purposes, and report whether all kinds of real and personal property contribute equitably to such taxation; and, if not, what alterations in the law are desirable in order to secure that result."

Who now contends that the former is a burden on the owners or occupiers of immovable property? "It is," in Sir Robert Giffen's words, "now past all controversy a rent charge." In any discussion of our system of taxation the land tax should therefore be omitted, just as we omit the income derived from Crown lands. We come then to the rates. These have continually varied in amount, and the whole present amount of them cannot accurately be described as having been a fixed charge on the land for generations. That is, the whole of the rates, or perhaps even the whole of the poor rate, cannot be. But, beyond all doubt, there is a substantial portion of the rates which can only be regarded as an "hereditary charge" of the same nature as land tax or a mortgage which has been subsisting on the family estate for several generations. If A has derived his property under a settlement made by his grandfather who bought the property subject to heavy rates, and who therefore on that account paid a smaller price for it than he would otherwise have paid, it is a mere fraud on the part of A to pretend that the rates¹ are a real burden upon him. The permanent portion of the rates must be omitted from the account when we try to determine what portion of the taxes are a burden upon persons in respect of their owning real property, and until some estimate is formed of this hereditary charge and it is eliminated together with the land tax, it is futile to produce figures to show that the unhappy landowner is overburdened. The lessees of Crown property might as well be permitted to call the ground rent which they pay part of the burden of taxation which they bear. The commissioners, however, have not attempted this and consequently a large part of their report is incomplete. It is only fair to state that Sir Edward Hamilton and Sir George Murray do say that "to the same category" (that is of rent charge) "some authorities would relegate such portions of the poor rate as may reasonably be described as 'hereditary charges'"²; but they are not led to consider the matter further. It is a depressing circumstance that after so many years of hard work the commissioners should have failed to tackle the real problem of the equity of our present system of national and local taxation. The figures based on the most misleading tables furnished by Lord Milner to the Royal Commission on Agriculture in 1895 will in all probability still be quoted to indicate the severe burdens put upon landowners without any attempt to estimate what these burdens really amount to.

¹ That is the part of them which has been permanent for three generations.

² P. 111.

But, setting this fundamental mistake aside, what are the main questions discussed and answered by the commissioners? That there should be some grants in aid from the Imperial to the local exchequers seems not only inevitable at the present time but also just. A great many services which are distinctly national in character are administered locally. It would be hard if local administration should necessarily involve the imposition on the locality of the entire financial burden of such services. Chapter IV. of the majority report discusses what services are national and onerous. They consider that poor relief (including the maintenance of pauper lunatics, the provision of asylums and certain minor services such as registration, valuation, and vaccination), police and criminal prosecutions, education and main roads are national services. Indeed, the whole Commission seems to be unanimous in regarding these services as pre-eminently national, and we may take it that these services should be assisted from the Imperial exchequer. At present by a complicated system of subventions the local exchequers are assisted, but the system existing at present is not easy to defend on grounds of justice or convenience. A short statement of what the system is is sufficient to condemn it.¹

The vote for public education may be set aside. It is in many respects peculiar, and we may pass to consider the general system of assigned revenues, which has been in force with certain important modifications since the year 1888.

The following portions of the Imperial revenue (that is revenue levied by Parliament and collected by Imperial officials) are diverted from the Exchequer and paid to an account called the Local Taxation Account. These are:

(1) The Local Taxation Licence Duties (about half of this amount consists of duties connected with the sale of alcohol).

(2) The Death Duty Grant: 80 per cent. of $1\frac{1}{2}$ per cent. on the net value of such of the property on which estate duty is leviable, on which probate duty would have been payable before August 1894, less one-half the rates on tithe rent charge, attached to a benefice.²

(3) The Beer and Spirit Surtaxes: 80 per. cent of the amount raised in the United Kingdom by additional Customs and Excise Duties of 3*d.* a barrel on beer and 6*d.* a gallon on spirits.

¹ This statement has been made as simple as possible, and in some respects is not strictly accurate; but as my argument is that the system is complicated, a more complete and accurate statement would have made my position stronger.

² Except those rates to which tithe rent charge was already assessed at one-half or less.

Out of the Local Taxation Account there are paid :

(a) A payment in respect of diseases of animals, charged upon the Death Duty Grant.

(b) £300,000 charged on the Beer and Spirit Surtaxes for Police Pensions. Half of this is paid to the Receiver for the Metropolitan Police. The other half is paid to the extra-Metropolitan Police authorities.

The residue of the revenue in the Local Taxation Account is divided among the Councils of Counties and County Boroughs and paid to an account of the County or Borough Fund, called the Exchequer Contribution Account on the following principles :

(i) The Local Taxation Licence Duties are assigned to the council in whose areas they are collected.

(ii) The residue is apportioned in proportion to the grants in aid received in 1887-1888.

The County Councils and County Borough Councils then distribute the amounts standing to their (respective) Exchequer Contribution Accounts as follows :

SERVICE.	PRINCIPLE OF ALLOCATION.
1. Police. (a) Metropolitan.	4d. in the £ on the rateable value of the police district, or four-ninths of the net cost of the police. ¹
(b) Extra-Metropolitan.	One-half the cost of the pay and clothing. ¹
2. Union officers. (a) London.	Half salaries of medical officers and of expenditure on drugs. ²
(b) Outside London.	The sum spent by the guardians in 1887-1888 on salaries of all union officers, drugs, &c.
3. Pauper lunatics.	4s. a week per lunatic.
4. Technical education, or relief of rates.	The whole or part of the beer and spirit surtaxes (after paying the sum to police pensions).
5. Sanitary officers.	One-half salaries.
6. Poor Law school teachers.	Amount depends on number of children and class of certificate awarded to teacher.
7. Public vaccinators.	Not more than 1s. per operation.
8. Revising barristers, &c.	Half cost of election petitions and revising barristers.
9. Registrars of births and deaths.	The amount paid out of local grants towards their remuneration paid by the guardians.

¹ In addition to the payments for pensions already mentioned.

² The indoor pauper grant under Sec. 43 of the Local Government Act, 1888, is in some sense a substitute for the "Union Officers' Grant" in London.

There are a few other payments and then the residue goes in aid of county and borough rates generally.

In addition to the payments to the Local Taxation Account there is also provided from the Imperial revenue :

(iii) One-half the rates on agricultural land in the year 1895-1896 ; nominally this is diverted from the proceeds of estate duty on personalty.

(iv) One-half the rates on tithe rent charge attached to a benefice : this is paid out of the proceeds of estate duty, which would otherwise go to the Local Taxation Account.

The total sums paid in this way vary greatly, but (excluding the vote for public education) exceeded eight millions last year. Nothing more than the mere statement is required to show that the system is highly unsatisfactory.¹ The most obvious defects are :

(a) Great complication of the Imperial and local accounts caused by the existence of the Local Taxation Account and Exchequer Contribution Accounts. Even the *Times* newspaper is unable to understand the matter.²

(b) In some of the grants no distinction is made between services which are national and onerous and those which are local and beneficial.

(c) No consideration is paid to the ability of any locality to bear its burden of the national services.

(d) The absurdity of some of the principles of allocation is apparent ; for instance, why should the present grant for technical education depend on the grant in 1888 for pauper lunatics, main roads, and other matters ?³

We have then to consider two questions : (1) Should grants in aid be provided by means of assigned revenues ? (2) On what principle should grants in aid be distributed ? A third question of great importance is also discussed by the commissioners : it is whether a tax or rate on site values would not tend to a more equal and advantageous distribution of local burdens.

The object of the system of assigned revenues was to effect a complete separation between local and Imperial finance and at the same time to provide that a considerable portion of the money raised for local purposes should not be raised by rates. It was

¹ "The retention of the present unsatisfactory state of things, which means a continued absence of principle and no chance of any finality in the system of local taxation ; more anomalies, more inequalities, and more patchwork ; complexity in the public accounts perpetuated ; and a more costly scheme for the taxpayer." P. 144. (Report by Sir E. Hamilton and Sir G. Murray.)

² See a leading article in the *Times* of April 1, 1901.

³ P. 116.

hoped that the licence duties would be collected locally, and that one half the Probate Duty only would appear in the Imperial accounts, the other half going direct to the Local Taxation Account. But circumstances destroyed the simplicity of the system. The grant of the whisky money for technical education, the Finance Act of 1894, the grants in aid of agricultural rates in 1896, and of clerical tithe in 1899 (not to speak of the anomalous and bewildering treatment of the agricultural grants to Scotland and Ireland) added terribly to the confusion; and the habit of charging particular grants on particular parts of the Local Taxation Account to please the sentiments of a certain class can hardly be defended. If the Local Taxation Account is a cistern on which we have to draw, fed by conduits, it is difficult to say that the bucketful of water we draw from the cistern to give to diseased animals comes entirely from the conduit called estate duties. And again the plan of paying sums to the Local Taxation Account, to be paid to Exchequer Contribution Accounts and then to be paid over to the other authorities, is singularly confusing. In point of fact, in the case of the grant for revising barristers, which comes back to the National Exchequer, this complicated process is not gone through, and the sums are merely deducted from the sums allocated to the several councils. All this complication does not necessarily condemn the assigned revenues, but, as it has broken down so badly in practice and has not succeeded in keeping local and Imperial finance separate, it seems clear that the system ought to go. The Majority Report indeed prefers to keep the system in force and only proposes some modifications. But it is hard to find much justification for their recommendation in their argument. The fact that "so acute and subtle a thinker as Mr. Gladstone" had no misgivings on the subject seems indeed to be that which really weighed with them. No doubt the fact that Mr. Gladstone did not have misgivings is an interesting piece of history, but it is not possible to infer from the fact that Mr. Gladstone had no misgivings in 1888 that, under the altered circumstances of their case, his acute and subtle thoughts, had he lived, would not have caused him misgivings in 1901. Sir Edward Hamilton and Sir George Murray in their report do not hesitate to condemn the present system, and their summary of defects may form a convenient answer to our first question and introduction to our second.

(1) The grievances of ratepayers, though they have been largely redressed, have not been removed. To those who are most benefited under the present arrangements, the relief has only been accorded by a provisional measure;

while others feel at a disadvantage as compared with their more favoured brethren. The relief system, in short, needs to be placed on some more definite principle, and on some more comprehensive and lasting basis.

(2) The mode in which relief is at present afforded is open to considerable objections. The foundation, sound in itself, on which the financial arrangements of 1888 rested, has been rudely shaken by subsequent changes and extensions, which have given rise to indefensible anomalies and administrative inconveniences, and has led to perplexing account keeping.

(3) The procedure by which the money assigned by the State in relief of local charges passes into the hands of the spending authorities is so complicated as to make it impossible for any one who is not familiar with the maze of Local Taxation and Exchequer Contribution Accounts to trace the destination of it.

(4) The allocation of the money proceeds on no uniform or equitable principle. It has regard neither to the real needs of localities nor to their abilities to meet them, and public funds are in part used for purely local purposes to which such funds cannot properly be applied.¹

The first question. "Should grants in aid be provided by means of assigned revenues?" may thus be answered in the negative. Grants in aid should be charged on the Consolidated Fund. This system has the approval of the highest authority—Professor Marshall.² We turn then to the second question: "On what principle should grants in aid be distributed?" Two propositions should command assent. (1) Grants should not be made in aid of hereditary charges on land, for such grants are merely gifts to the owners of land subject to such charges; (2) grants should only be in aid of those services which are national and onerous, such as poor relief, not in aid of those which are local and beneficial, as lighting and paving.

Unfortunately, and indeed unaccountably, the Commission do not agree to the first of these propositions; they do not on the other hand contest it; they are content to ignore a familiar and fundamental economic fact which had been carefully explained to them.³ The recommendation that agricultural land should be rated at one-half is difficult to justify, because, land being permanent, the principle of hereditary burdens applies with full force. The Majority Report seems hardly serious when it deals with this matter. The evidence of the proprietor of the Brighton coach given in 1836 cannot be very relevant to the position of the owners and occupiers of land at the present day. Yet it is on the evidence of a few farmers, who naturally wish their rates to be lower, and not any general considerations of the burden and the incidence of rates, that the majority make

¹ P. 120.

² [C. 9528] of 1899, p. 123.

³ See, for instance, Mr. Courtney's memorandum [in C. 9528] of 1899, at pp. 92, 93.

their proposals. In successive pages they pass from the view that the owner really pays the rates to the view that it is the occupier who pays. And what is perhaps more difficult to explain, after making clear the distinction between services which are national and onerous and those which are local and beneficial, they advocate the continued payment from national funds of special grants in aid of agricultural rates raised for purposes which are admittedly not national. Sir E. Hamilton and Sir G. Murray are more cautious in stating their reasons: "It is important to remember that in the measure passed in 1896 which temporarily relieved the *occupiers* of agricultural land of half their burthen in respect of rates, Parliament has distinctly recognised the claim of one kind of non-residential property to be treated preferentially. It is true that the ultimate effect of a permanent measure may be different from the immediate effect of a temporary measure; yet we cannot conceal from ourselves the great difficulty of depriving persons of a relief once accorded to them, *even if, by the indirect action of economic forces the relief eventually benefits others.*"¹ This seems to be an avowal that the freeholder and not the tenant farmer takes the benefit of a grant to him in respect of his hereditary charges, but that in the present state of political parties there is no hope of remedying the injustice. It is proposed, however, to mitigate some of the worst scandals resulting from the present method of distribution. The second proposition that grants should not be made in favour of local and beneficial services can hardly be contested in argument, though the majority disregard it in practice. Assuming then, (a) that there should be grants in aid for national and onerous services, (b) that agricultural land should be assessed at one-half, on what principle should the grants be distributed? This is a question which cannot admit of a clear theoretical solution. A very large number of schemes have been propounded at different times in and out of Parliament. All are open to some objections. The Chairman, Lord Balfour of Burleigh, has now propounded a scheme which is new and ingenious. It is hard to form a final opinion upon a novel proposal, but *prima facie* this one is very good, and Lord Balfour must be congratulated on the ability with which he has conceived it and the admirable way in which he has presented it. His report shows what a suitable person he must have been for the chairman of the Commission, and tempts one to regret that he alone did not form the Commission. His aim is as follows:—

¹ P. 128. The italics are mine.

The suggestion which I put forward is that "block grants" should be given for each service taken as a whole, and that, in the distribution, some attempt should be made to equalise the burden remaining to be charged upon the various localities.

With this object in view, the conditions to be observed would appear to be the varying circumstances of the different districts as regards, *first*, ability to raise local funds, and *secondly*, necessity for expenditure upon the services assisted. Having established criteria of these two conditions, the grants should be distributed in such a way that most would be given to those districts which have the lowest ability and where expenditure is necessarily high, and less to those with the greatest ability and less necessity for expenditure.¹

The difficulty is to determine what is the measure of ability and what of necessity for expenditure. Lord Balfour measures ability by assessable value, that is the rateable value, after deduction of half the value of agricultural land and half the value of tithe rent charge attached to a benefice. He measures the necessity for expenditure partly by the population and partly by the actual expenditure. He then argues that a minimum expenditure is everywhere necessary, and for the Guardians' grant he takes this at 3s. 6d. per head. Since it is desirable that each union should be required to raise a small standard rate, he takes a 4d. rate as the minimum rate which all unions should be required to raise. The first part of the proposed grant then is to consist of the difference between 3s. 6d. per inhabitant and the produce of a 4d. rate on the assessable value. This secures that each union has 3s. 6d. per head to spend without incurring more than a 4d. rate. But as the actual expenditure is also some measure of the necessity for expenditure, he proposes to give a grant of a part (one-third) of the expenditure in excess of the assumed minimum expenditure, so that, in Lord Balfour's own words, the scheme is—

(1) The minimum expenditure of Boards of Guardians is 3s. 6d. per head of population.

(2) In all but the very richest districts, the necessary minimum expenditure (3s. 6d. per head) would be in excess of a rate of 4d. in the £ of assessable value.

(3) It is proposed to give to every union a grant equal to the excess of 3s. 6d. per head of population over the produce of a 4d. rate.

By this means the rate required to meet the minimum expenditure would be everywhere equalised.

(4) When the expenditure exceeds the necessary minimum of 3s. 6d. per head, a grant equal to one-third of that excess would be paid.²

A table is given showing the effect of the scheme in different unions. Among unions spending equal sums per inhabitant the

¹ P. 74.

² P. 77.

poorer will receive a greater proportion of their expenditure. Among unions having the same assessable value per inhabitant, those spending the largest sum per inhabitant will always have to raise a heavier rate than those in which the amount spent is not so high in proportion to population. The scheme, therefore, while it encourages economy, aims at a substantial equalisation of the burden of poor relief. For police and criminal prosecutions Lord Balfour takes 1s. 4d. as the minimum expenditure per head and $1\frac{1}{2}$ d. as the standard rate; for asylums he takes 6d. and $\frac{1}{2}$ d. respectively. He proposes that in the case of the grant for police and criminal prosecutions, the grant towards the expenditure in excess of the minimum might be one-half, and proposes no grant of this kind towards asylums. The total result is therefore:—

To Guardians—

1st grant (3s. 6d. per head — 4d. in the £ on assessable value).

2nd grant. $\frac{1}{2}$ [expenditure — 3s. 6d. per head].

Total. $\frac{1}{2}$ expenditure + 2s. 4d. per head — 4d. in the £ on assessable value.

To Police and Criminal Prosecutions—

1st grant. (1s. 4d. per head — $1\frac{1}{2}$ d. in the £ on assessable value).

2nd grant. $\frac{1}{2}$ [expenditure — 1s. 4d. per head].

Total. $\frac{1}{2}$ expenditure + 8d. per head — $1\frac{1}{2}$ d. in the £ on assessable value.

To Asylums—

Grant. 6d. per head — $\frac{1}{2}$ d. in the £ on assessable value.

Hence the total grant to these three services would be—

$\frac{1}{2}$ expenditure of Guardians + $\frac{1}{2}$ expenditure on Prosecutions
+ 3s. 6d. per head — 6d. in the £ on assessable value.

This seems a complicated result, but the complications are only arithmetical. A proper uniform valuation of England is essential, and has already been recommended by the Commission. Probably to make the scheme really fair a quinquennial valuation and a quinquennial census are wanted; both of these are also greatly wanted for other purposes. Except for the obvious defect of taking assessable value¹ in place of rateable value, and for the apparent complexity of the scheme this proposal seems well fitted for attaining its ends. It is an intelligible scheme based upon principle. Criticism may show that it requires

¹ That is rateable value assessing agricultural land and clerical tithe at one-half.

modification : it is hard to judge it quickly ; but it is to be hoped that it will receive the most careful consideration even if the precise figures are not the best possible.

There remains the third question. "Should site values be specially rated?" Five of the Commissioners¹ say yes, and their report is the one which is most interesting to the economist. Two difficult economic questions arise. "At any given time who is in the enjoyment of site value?" "What would be the ultimate incidence of a tax or rate on site values?" The first seems almost insoluble and perhaps is meaningless. Mr. Fletcher Moulton holds one view, Mr. Harper another, the commissioners suggest a third. The importance of this report is that it does not regard the question as one between the different owners of one hereditament, but as between different localities. This at once puts a new complexion on the problem. They say :—

The mistake made hitherto has been to regard the taxation of site value as primarily a question between the parties interested in any one hereditament, or as essentially depending on the rights or wrongs of the dispute between the ground landlord and the string of lessees as to the fairness of their contracts.

The real question as to the taxation of site value is the question whether there ought not to be a tax on site value where it exists, and in proportion to the amount of it which exists in each place. In other words, site value is, in essence, *local*, and the effect of taxing site value would be, primarily, a *local* redistribution of burden, not primarily a redistribution of burden as between the parties interested in each single hereditament, but as between different districts and different hereditaments.²

By adopting this view the difficult problem of determining which of the different persons having interests in a hereditament are in enjoyment of site value is avoided ; and therefore also the question of the incidence of a site value rate as between a chain of lessors and lessees. But what is the ultimate incidence of a uniform rate on site values? Site value is a differential rent ; a uniform rate on it will therefore not be shifted. The economic advantage of a tax on differential rent is that it does not interfere with economic equilibrium and does not interfere with production. Such a tax, therefore, if small enough at the start not to create hardship by the suddenness of its imposition, would seem sound in principle.³ It is less easy to determine the area over which it should be levied. If it were to be a universal Imperial tax there would be little difficulty about the matter. But it is fairly argued that the value of sites is

¹ Lord Balfour of Burleigh, Lord Blair Balfour, Sir Edward Hamilton, Sir George Murray, and Mr. James Stuart.

² P. 165.

³ See Professor Marshall's views in pp. 124, 125 [C. 9528] of 1899.

increased by public improvements, and thus it seems fair that at any rate to the extent of the increase in site value caused by public improvements such a tax should be local. This, however, seems to be confusing the matter with betterment charges. For most public improvements, however, it is difficult to arrange betterment charges; it is only in the case where a small area becomes very greatly improved by some public improvement that betterment can be successfully applied, and therefore the site value rate imposed on the ground that public improvements have increased site values should properly only be proportioned to such increase of value. To determine this increase might, however, not be very practicable, and therefore there is something to be said for the proposal to levy a special site value rate in urban districts. But it must be remembered that such a proposal is a rough compromise or combination of two ideas. (1) A uniform tax on the differential rent arising out of site value, (2) a betterment charge in respect of the increase of site value caused by local public improvements. The summary and conclusions of this report should be carefully considered in the light of the foregoing general observations. Some of the conclusions seem obvious, some of them are obscure. They are:—

(1) That misconception and exaggeration are specially prevalent on this subject.

(2) That, as a rule, others besides the freeholder are interested in site values.

(3) That the value of the site as well as of the structure is at present assessed to rates.

(4) That, while site value is enhanced automatically by extraneous causes, yet it has no monopoly of such enhancement; but that the outlay of ratepayers' money does increase the value of urban sites to a special, though not easily measurable, extent.

(5) That site and structure, which are now combined for rating purposes, differ so essentially in character that they ought to be separately valued.

(6) That, when separated from structure, site value is capable of bearing somewhat heavier taxation, and should be made to bear it, subject, however, to strict respect for existing contracts.

(7) That the differential treatment should take the form of a special site value rate, payable in part by means of a deduction from rent on the Income Tax method, and that thus a part of the burden should visibly fall on those who have interests superior to that of the occupier.

(8) That, subject to the conditions which we have specified, the special site value rate should be charged in respect of unoccupied property and uncovered land.

(9) That, if proper regard be had to equitable considerations, the amount capable of being raised by a special site value rate will not be large; and that the proceeds of it, whatever the amount may be, should go in relief of local, not Imperial, taxation.

(10) That it may be well to apply the scheme on the principle of "local

option," and to limit the immediate introduction of it to urban places having a population in excess of a given number and of a given density.¹

These conclusions do much towards bringing the taxation of site values to the level of practical politics; the cautious statements just quoted are not likely to prove very agreeable reading to an ardent advocate of the single tax; they may, on the other hand, be the means of persuading some persons that site values should be taxed, and dissuading other persons from ill-considered schemes advocated by progressive enthusiasts. At first sight the conclusions are not very attractive; on further consideration they appear to be the result of a most anxious attempt to solve a difficult question. At any rate after this report the matter cannot drop; one political party or another is almost sure to be glad of the opportunity afforded by well-considered proposals.

In conclusion a few words on smaller matters may be said. The proposal to give relief to owners of tithe rent charge when attached to a benefice, and not to owners of tithe rent charge when not attached to a benefice seems indefensible. Either the grant should be abandoned or extended to all owners of tithe rent charge. The majority proposal to give a grant to sick and infirm paupers must encourage persons to be sick and infirm. It is an ill-judged piece of philanthropy. Finally, it should be mentioned that one Commissioner, Judge O'Connor, has written a separate report, advocating that land, and land only, should be rated for local public services.

C. P. SANGER

¹ P. 175.

THE MINIMUM WAGE LAW IN VICTORIA AND SOUTH AUSTRALIA.

WHEN the last mail for England left Melbourne a Royal Commission had been for some time sitting to inquire into the working of the Shops and Factories law of 1896. Some of the evidence given before it had been hostile to the law, as might have been expected. Paragraphs have appeared in more than one well-known London newspaper suggesting that the Act has caused and is causing friction, and has even led, in one case, to a suspension of industry. A set of indignant masters are said to have shut up their works. Without denying that the law has been and is hotly criticised in the colony, and without suggesting that it has yet emerged from the stage of experiment, I will point out that Victorian manufactures have managed to thrive under it, and to regain the place which they held in 1890, but lost so lamentably after the banking panic and the collapse of what is commonly called the Melbourne land boom. In 1890, when Victoria was enjoying the inflated prosperity for which she afterwards had to pay dearly, the number of hands employed in the colony's factories was 47,813. In 1894, with commerce in the trough of the depression, this number sank to 34,268. In 1900 it had risen to 52,898. Whatever, therefore, the minimum wage law may have done, during the four years in which it has been applied, it has not been generally ruinous or terrifying.

The Factories and Shops law of 1896, under which legal minimum wages were for the first time fixed, was one of a series of factory laws the first of which was a little statute passed in 1873. This, the pioneer of its race in Australia, laid down that no girl or woman should work for hire in a factory for more than eight hours daily.

The next step forward was taken by a second law, that of 1885. This was the outcome of the plain-spoken report of a Royal Commission which had sat in the year before to inquire into

alleged sweating. By the law of 1885 the number of persons needed to form a legal factory, which had hitherto been ten, was reduced to six including apprentices, and employers were ordered to keep a record of outwork. The best parts of the law of 1885 were those enforcing cleanliness, air space, the requirements of decency, and the fencing of machinery. Under these clauses much good work was done by the government inspectors. As Melbourne and the other towns grew larger and were better built, hundreds of dilapidated old buildings were pulled down and replaced by better factories. The inspectors saw to it that the arrangements in them were good. How unsatisfactory the condition of numbers of factory and shop workers remained in many other respects, and how miserable was the lot of the sweated out-workers, the reader may learn from official reports and from the columns of the *Age* and *Argus* newspapers.

For ten years there was little or no change in the law. Not until 1895 was any real step forward taken. In that year the number of hands necessary to constitute a legal factory was reduced from six to four; but by that time, thanks to the revelations brought about by anti-sweating agitation, public feeling was thoroughly roused; the principle of a fixed minimum wage, which should be a living wage, had been adopted both by a resolution of the Lower House of Parliament dealing with government workpeople and by the Metropolitan Board of Works for Melbourne, and the Act of 1895 was not accepted even as a stop-gap. A far bolder and more thoroughgoing measure was drafted by Mr. Peacock, now Prime Minister of the colony, and after a sharp struggle with the Legislative Council, became law on the 1st October, 1896. In no other colony, at any rate at that time, could such a measure have become law, and only the Melbourne newspapers' courageous exposure of the sweating that had been going on year after year in that city and elsewhere in Victoria, confirmed by the evidence given before a board of inquiry in 1893 and backed by the agitation of the Victorian Anti-sweating League, could have formed a public opinion ready to accept so strange and novel an experiment. Venturesome and full of new features the measure indeed was. Most students of labour problems have by this time heard of one feature—the wages boards. But the interest of the Shops and Factories Act of 1896 is by no means confined to these. It introduced changes so many and so vital, and marks such a striking departure in the history of Australian industrial law-making that I make no apology for quoting here certain parts of the official summary of its chief clauses prepared

by the Victorian factories department. These all relate to factories. The portion of the law relating to shops will not be touched on in this article.

Every place in which furniture is manufactured was made a factory or work-room.

Every place in which a Chinese person is engaged in laundry work was made a factory or work-room.

Laundries in which four persons are employed were made factories or work-rooms, excepting only laundries carried on by charitable institutions.

Power to extend the operations of the factories portions of the Acts to shires was given to the Governor in Council.

Every person making clothing or wearing apparel (including boots and shoes) for trade or sale outside a factory or work-room, was required to send his or her name and address to the Chief Inspector of Factories.

Provision was made for the appointment of special boards to fix the lowest price or wage to be paid for making any article of clothing or wearing apparel (including boots and shoes), furniture, and for bread making or baking.

Excepting the furniture board, which was to be appointed by the Governor in Council, such boards were to be elected by the employers and employes engaged in the manufacture of the articles for making which the board is to fix the price. In default of such election, the Governor in Council was to appoint the members of the board. Each board was required to elect a chairman (not a member) within fourteen days, and if this was not done the Governor in Council was to appoint a chairman. A short amending act was passed late in the year for the purpose of meeting a difficulty which had arisen in connection with the special board to be appointed to fix the price for making furniture. It was found that the Chinese could have elected the whole or a large majority of the representatives on such board, and parliament then decided that in the case of furniture the board should be appointed by the Governor in Council.

No person was to be employed in a factory or work-room unless in receipt of a weekly wage of not less than 2s. 6d.

Inspectors were given the power to prosecute the occupier of a factory or work-room in an insanitary condition.

The Chief Inspector of factories was given power to condemn any factory or work-room which was in his opinion dilapidated, unsafe, unfit for use, &c., and within two months of the date of the notice the occupier was required to obtain the local council's

written consent to the continued use of such premises as a factory.

No portion of a factory or work-room could be used as a sleeping place unless such sleeping place is separated from the factory or work-room by a substantial wooden partition extending from floor to ceiling.

No female whosoever, and no boy under sixteen years of age, could be employed in a factory for more than ten hours in any day or after nine o'clock at night (this provision is in addition to the Act of 1885, which provides only that such persons could not be employed for more than 48 hours in any week); on ten days in any calendar year overtime might be worked to the extent of six hours if notice within 24 hours was forwarded to the Chief Inspector and overtime and tea money paid.

In any factory in which furniture is made no person was to work before half-past seven in the morning or after five o'clock in the evening, or on Saturday after two o'clock, or on Sunday at any time whatever; and the same hours apply to any laundry in which a Chinese person is working.

Provision was made for the stamping of all furniture made in Victoria with the maker's name and address, and whether made by Chinese or European labour.

All persons in charge of boilers and steam-engines must henceforth hold certificates of competency.

Important as many of these changes will at once seem to the student of factory laws none of them vie in interest with the remarkable experiment of appointing boards to fix wages. The first batch of these novel bodies was six in number. They were constituted and went to work early in 1897. Five of the six were elected, and the sixth nominated by the Governor in Council. Each consisted of ten members, five for the employers and five for the workpeople; and of a chairman, presumably impartial. The six trades to be regulated were:—

Elected Boards	{	Baking.
		Men's and Boys' Clothing.
		Bootmaking.
		Shirtmaking.
		Under Clothing.

Nominated Board: Furniture.

The function of these boards was to fix the wages paid to time-workers, and, if possible, the rates for piece-work; also to regulate the proportionate number of apprentices and improvers.

This duty they all endeavoured to discharge, with, as might be expected, unequal success, especially in their earlier efforts. The baking board, for instance, met with little trouble. They had the good fortune to secure as chairman, a judge, Sir Hartley Williams. As no piece-work was done amongst the bakers they were saved from a common cause of complication. By raising the pay of men to a shilling an hour, and fixing the apprentices' minimum at five shillings a week, they gave, it was reckoned, an immediate increase of 25 per cent. to the adults in their trade. Country bakeries were not affected by their "determination." Nevertheless the average weekly wage paid to men and boys in the trade throughout the colony was raised from £1 12s. 5d. for the year 1896 to £2 1s. 6d. for 1898, and to £2 1s. 10d. for 1899. In other words the average gain for every worker was 9s. 5d. a week, though the gain to the men was, of course, more, and to the boys less, than the average. As the law also limited the working hours to forty-eight weekly the fortunate bakers got much more pay for much less work. Yet very little friction seems to have been caused by the change which, in practice, was neither ruinous to employers nor inconvenient to the public.

With the clothing trade board matters did not run quite so smoothly. So minute and elaborate was its "determination" that it took nine months to draw it up, and its details filled thirty-five pages of closely-printed foolscap. The minimum wage for men was fixed at 7s. 6d. a day; that of women at 3s. 4d. a day, or £1 a week. To earn this a workwoman had to be skilled, *i.e.*, must have served five years at her trade. An exhaustive schedule of piece-rates was also issued. They were fixed so as to be a little higher than the time-rates in order that the homeworkers might have something to meet the cost of sending work to and from the factory, firing, and other small charges. This benevolent effort to help the outworkers was promptly checkmated by the employers, who, finding they could get work done cheaper by the time-workers in the factories, ceased to give it out. The more fortunate of the piece-workers were taken on as factory hands at the new and improved wage. Most of the others lost their work altogether. Moreover, while the board had been digesting its determination the employers had had nine months in which to accumulate heavy stocks made at the old low rates of pay. This they had done without remorse or ruth, and a corresponding time of slackness followed the proclamation of the new rates, the blame of which was, of course, laid on the increased scale of wages. The board, too, had limited the number of apprentices

and improvers ; the proportion was not to exceed one apprentice to every three tailoresses, and the children were to be paid. They were to get half-a-crown in their first year, rising annually to fifteen shillings in their fifth year. A sharp reduction in the number employed was the not unnatural result. The employers complained that they were not allowed to have enough of them to fill vacancies amongst adults. In 1899, however, it was shown that the masters were not employing as many as the Act permitted. Of course, their real objection was to the new scale of pay.

The clothing board, however, stuck to its determination and gradually the disturbance settled down. More piece-workers entered the factories, and the hard case of a few old and needy folks who were not worth the legal wage was met by allowing them to work for less than the minimum rate. The number of hands in the trade, which fell in 1898, more than regained the lost ground in the next year. By the end of 1899 there was not much grumbling except at the scarcity of apprentices. The average rate of remuneration had increased in the case of men and boys from £1 15s. 3d. a week to £1 19s. 5d. Amongst the women and girls it had gone up from 15s. 5d. to 18s. 6d.

Like the clothing board the boot-making board made a bad start. It had, too, a troublesome trade to deal with. Boot-manufacturing in Victoria had been overdone by small employers. Then had come the importation of new machinery capable of supplying a far larger market than the Australian. The whole of 1896 was passed by the board in trying to fix a determination which should not be bitterly objected to either by masters or men. Its first proposal was so strongly protested against by the masters that it was withdrawn. A lowered minimum met the same fate at the hands of the men. A compromise pleased neither side, and left the piece-rate so much higher than the time-wage that the story already told in the case of the clothing determination may stand for the effect of that in boot-making. To make matters worse came a rise in the price of leather which hit the manufacturers rather hard. However, the average increase in wages to hands of all ages employed in the trade was in 1889 4s. 8d. a head. The gain to adults was, therefore, a good deal more. Oddly enough, the number of young girls apprenticed was growing greater. The cost of boots and shoes to the public had not risen.

The shirt-making board went to work with caution and did not arrive at a determination until January 1898. Nor did it,

even then, attempt any heroic measures in dealing with its badly sweated trade. It was content to stipulate for a minimum of 4*d.* an hour for the women in the factories,—there were scarcely any men working in the trade. As 48 hours was the legal week this only amounted to a wage of sixteen shillings weekly. Piece-work rates corresponded. Yet this modest pay meant an average gain of 11*d.* a week all round and of more than that to the grown-up workers. Little or no disturbance followed the determination.

The first under-clothing board met even greater difficulties at the outset than even the bootmaking board. It failed altogether to fix prices, and resigned. A second board, appointed in 1898, made headway, though slowly; and, at last, in the middle of 1899, a determination came into force. The trade, which included the making of such articles as pillow-slips, aprons, and pinafores, had been in a wretched condition and was looked upon amongst needlewomen as little better than a refuge for the destitute. As late as 1898 the average weekly earnings were 11*s.* 3*d.*, and there were workers who had been five or six years in the trade and were fairly quick with the needle who were making but twopence an hour. The board fixed the time-wage at the same figure as in shirtmaking, namely 4*d.* an hour. This in the factories, where forty-eight hours were the legal week, meant 16*s.* for the six days' work. It was found almost impossible to fix satisfactory piece-work rates owing to the variety of the work and the continual change of designs and patterns. Two apprentices were allowed to each skilled worker or improver, and though the full number were not taken on, there were about as many apprentices as workwomen in 1898. The weekly average of pay all round was only 12*s.* 6*d.* Still, this was a rise of fifteenpence, and one or two of the workwoman's smaller troubles, such as having to pay for her cotton, had also been remedied.

The furniture-making board's first determination was gazetted in April, 1897, and was revised in October, 1898. In the second edition the pay of men was fixed at a shilling an hour, and that of women at fivepence an hour. The former could thus earn eight shillings and the latter 3*s.* 4*d.* in a legal factory day. This was a gain of 6*s.* 9*d.* a week all round, but of this only 1*s.* 2*d.* went to women and girls. In the "European" factories,—*i.e.*, where the workpeople were whites—no great difficulty was found in getting the new rates paid. With the Chinese it was otherwise. The masters amongst them at once put most of their men

secretly on piece-work, and employers and employed laid their heads together to outwit the inspectors. The former, with the most courteous air in the world, would tender pay-sheets which purported to show that their men were getting nearly seven shillings a day all round. The men smilingly acquiesced, and, when inquisitive inspectors pressed them with specific questions about secret piece-rates, they professed ignorance of any such arrangements asseverating that they were paid by time and were getting full wages. To protect workpeople who are being driven into breaking factory laws against their will is not easy. To protect them when they connive at their own oppression is notoriously difficult. When they are Asiatics, speaking an unknown tongue, or knowing but a smattering of English and ready to forget that whenever convenient, they become the despair of the most patient inspector. In this way collusion between masters and men did its best to baffle detection of work done after legal hours. When the inspectors, guided by the sound of tools, entered some Chinese work-room where cabinet-making was going on after hours they would be met with protestations of innocence from all inmates. Only by many prosecutions was some respect for the law tardily obtained. Still, annoying and baffling as the lying obstinacy of the Chinese was, by the year 1899 the state of the furniture trade was a cheerful contrast to its demoralised condition in 1893. The white workers were no longer sweated, and bitterly as their employers complained of Chinese evasion of the law, business was brisk and they were able to live and carry on.

At the beginning of 1900 the boards and the system of a minimum wage had had three years' trial. They had had to stumble along amid many traps and pitfalls, to deal with a multitude of complicated and puzzling little problems, some of which they had not solved, and they had made more than one mistake. Yet, broadly speaking, they had certainly not failed. In their efforts to reorganise six sweated trades, they had succeeded in four and partially succeeded in the other two. Their blunder in forgetting, at the outset, to make special provision for the old and slow workers in the clothing and underclothing trades,—a blunder which they might have avoided had they watched the methods of the New Zealand Arbitration Court—had been repaired. Though to some extent outmanœuvred by the Chinese in the furniture trade, they had improved even that unfortunate industry. Except, perhaps, in the bootmaking trade, they had

done very little of which the decent majority of masters could fairly complain. On the contrary they helped the fair employer against the undercutter and the sweater. Prices to the consumer had not been appreciably raised by their reforms; the public therefore had nothing to grumble at. Making full allowance for errors, humanity was the better for what had been done. Real work had been accomplished in a righteous cause, and Victoria had abundant reason to give the great experiment a wider scope and a further trial under amended conditions.

This, accordingly, the Victorian parliament did. In October, 1899, Mr. Peacock introduced a bill to extend the duration and expand the powers of the law of 1896. After some delay, caused by a change of ministry, and a sharp tussle between the two Houses, the bill became a statute, substantially in the form its friends wished. The upper House limited its life to two years *plus* a session of parliament, and the lower House had already stipulated that a Royal Commission should be appointed to inquire into the effects of factory laws upon trade, manufacture, labour, and commerce. If we may judge by the investigations of former commissions into factory and shop life in Melbourne the reports of this body—which, as mentioned at the outset, is now sitting—is not likely to do much harm to the cause of reform; all earlier reports and evidence have fed the demand for more regulation.

Under the Act as assented to, the butchers and pastrycooks' trades were added to the six trades already subject to the regulation of wages boards. Far more important than this specific extension is the clause under which the Governor in Council is now authorised, on receiving a resolution passed by either House of Parliament, to appoint a special board to fix the minimum of pay and the maximum of hours for any other industry. Some thirty special boards have, I believe, been appointed under this section and more have been asked for. Under another clause boards were also to fix the extra pay to be given for overtime, and—as before—the proportion of apprentices and improvers and their lowest wage. Piece-rates were to be based on time-rates but were not to be challenged or invalidated because they were not the precise equivalent of time-rates. The board, after fixing the time-wages for any trade, might, instead of fixing piece-rates itself, leave it to the employer to pay his people a fair equivalent to the legal time-wages. The chief inspector of factories might at any time challenge any rates thus settled by

the employer and bring them before the board for adjustment. In such case the onus of showing that they were equal in effect to the board's time-wages was to lie on the employer.

No one familiar with the working of the Industrial Conciliation and Arbitration Act of New Zealand can help comparing the extended Victorian law with that. At the first glance the two systems seem unlike; in certain essentials they resemble each other rather closely. Both regulate the conditions of labour though in different degrees. What is most interesting about the comparison is that, different in form as the two laws are, and designed as they seemed to be when first passed to attain different objects, they are, nevertheless, being gradually assimilated under the pressure of practical experience. This is the more noteworthy because they were drafted quite independently, and have, so far, worked on in separation. The New Zealand law was the earlier, but the Victorians borrowed nothing from it; nor in amending and expanding their own statute have the New Zealanders taken anything from Australia. In groping for a way through a difficult thicket two sets of explorers are unconsciously tending to take the same road.

Until the end of the year 1900 the colony of South Australia, radical and progressive as it was in other directions, lagged behind in the regulation of factories and shops. Nothing worth speaking of was done until 1894, and then not very much. Children under thirteen were in that year forbidden to work in factories in Adelaide and its suburbs, and forty-eight hours fixed as the weekly stint of women and boys under sixteen. Overtime, however, might be worked on a hundred days in the year; it took six workpeople to make a factory; and the clauses inserted to safeguard the health and lives of factory hands were crude and insufficient. Five years experience, the example of other colonies, and in particular the revelations of the Adelaide factory inspectors awakened the South Australian conscience to some purpose. The Factories Amendment Act of December, 1900, not only adopted the Victorian wages board system almost in the words of Mr. Peacock's Act, but contained a definition of "factory" which went far beyond the Victorian. Henceforth in Adelaide the word factory includes any workroom where any one is working in the owner's employ; and though this would still seem to ignore small coteries of outworkers it is a great advance on the older law. Moreover, the lowest wage to be paid to any one working in a factory was made four shillings a

week—eighteenpence more than the minimum for the factory-children in Victoria. Full records of terms and particulars relating both to in and out workers were to be kept. When fixing legal minimum rates any wages board was expressly authorised to allow a special rate in the case of any one who through age or physical infirmity could not get employment at the board's general rate. This humane direction ought to enable wages boards in South Australia to steer clear of the unluckiest of the early mistakes made by the Melbourne boards.

W. P. REEVES

THE INSURANCE OF INDUSTRIAL RISKS, 1897—1901.

THE Workmen's Compensation Act, passed in 1897, amidst such gloomy prophecies on the part of the industrial managers affected by its operations, has now been in force for four years. Hundreds of thousands of pounds of compensation have been paid under its provisions, and its dark sayings have received interpretation in many a hard fought case before the Appellate Courts ; so that it is now possible to form an estimate not only of the legal meaning of the various provisions of the Act, but also, which is more important, of its economic effects as well as of its position in the history both of the working man's struggle to secure compensation for industrial injury, and of the English law of Tort. Has the Act been a success or a failure ? Is its great underlying principle likely to be extended to other industries in the future, or, on the other hand, restricted, so far as possible, and possibly abolished altogether ?

The writer in 1897, in a contribution to the *ECONOMIC JOURNAL*,¹ endeavoured at some length not only to explain the history and main provisions of the Act, but also to deal with the criticisms, good, bad and indifferent, to which the Act had been subjected.

Four years have passed, and we can now estimate the truth of these various contemporary predictions and criticisms, and it is perhaps not too much to say that most of the writers' fears and expectations, as expressed at the time, have been literally, almost too literally in some points, fulfilled.

And first of all, the justice of the principle involved in the original measure has been amply proved : no one now hints at a return to the state of things prior to 1897, or even at a partial repeal of the Act : the grumbles of the employers have of course been loud and are not yet entirely, though almost entirely, silenced. Charles Kingsley supposed there must be benefit even in the east wind : like the east wind, the objections of the

¹ P. 354, vol. vii

employers have been of service, if for no other reason, because by their diminished volume or almost total subsidence, they show that the employers now acquiesce in the substantial equity of the Act; and further, are by no means crushed by its burden, as they feared.

So far from any repeal, the scope of the Act¹ was last year extended to agricultural labourers; these include:—Workmen employed “in agriculture by any employer who habitually employs one or more workmen in such employment”; and “agriculture,” following the definition in Mr. Chaplin’s Act, is to include “horticulture, forestry, and the use of land for any purpose of husbandry, inclusive of the keeping or breeding of live-stock, poultry or bees, and the growth of fruit and vegetables.”

The ordinary private gardener will thus be entitled to claim the benefits of the Act, provided he is “habitually employed”: a jobbing gardener or a man who occasionally works in the garden, at any rate if his master is not otherwise engaged in agriculture, will not.

The benefits of Section 3 of the original Act, embodying the scheme of “contracting out,” will by incorporation be conferred on agricultural workmen, who will thus, with the consent of the Registrar of Friendly Societies, be able to come to voluntary arrangements with their employers, provided such arrangements are “not less favourable” than those secured by the Act.

This extension comes into force on 1st of July, 1901, and will bring about 1,700,000 more labourers within the Act.²

Nor is it in England alone that the principle of the Act of 1897 has received approval and confirmation:

“An Act relating to compensation for workmen’s injuries” (I quote from the last report of the Registrar of Friendly Societies, p. 5, complete to Dec. 31st, 1900) “has been passed by the Parliament of South Australia, and was assented to by Lord Tennyson, the Governor, on behalf of Her Majesty on 5th Dec., 1900. It is based upon the Imperial Act of 1897, but with some interesting modifications. The definitions of ‘dependants,’ ‘factory,’ and ‘undertakers,’ which in the Imperial Act depend upon the provisions of other Acts, are made complete in themselves. No definition is given for ‘railway,’ ‘mine’ or ‘quarry.’ The application of the Act is extended to any employment declared by proclamation, pursuant to addresses from both houses of Parliament, to be dangerous or injurious to

¹ 63-4, 4 Vict. C. 22.

² Hansard, vol. 84, p. 52.

health or dangerous to life or limb. It is also extended to any building work, without the requirement that the building is to be 30 feet in height. Three months is allowed for giving notice of injury, but the action must be commenced within six months after the occurrence of the injury or the time of death. The 'contracting out' section is the same as that in the Imperial Act, with the exception that the period to be limited for a scheme is to be *not more* than five years, instead of *not less* than five years. The Act is only to apply to workmen engaged in agricultural or pastoral pursuits, when steam, water, oil, gas, electricity, compressed air or other like mechanical power is used in the factory. It is to come into operation on a date to be fixed by proclamation not earlier than 1st June, 1901. The limit of the expenses of medical attendance and burial in the case of death, where no dependants are left, is raised (from £10) to £50."

New Zealand on 18th October, 1900, also passed a "Workmen's Compensation for Accidents Act."¹ Closely following the English Act of 1897, the list of employments within the Act is a restricted one, including "any mining, quarrying, engineering, building, or other hazardous work," but does not include employment under the Crown. The English system of modified "contracting out" is adopted in New Zealand.

The chief fears of the opponents of the original Bill have turned out, as anticipated, to have been much exaggerated: three of the chief of these objections were examined and combated by the writer in 1897; they were, the danger to the Friendly Societies; the risk of increased carelessness, and lastly the danger of burdening industries, such, for instance, as the coal trade, which were already groaning under the stress of foreign competition. As anticipated, the friendly societies have pursued their normal course of steady growth quite unchecked and unheeding of the Act of 1897; in 1898,² 575 new friendly societies, or 79 more than in the previous year, were registered; in 1899, 748 new friendly societies were registered, or 173 more than in 1898.³ In 1900 only 603 were registered, but the Registrar is doubtless right in ascribing that diminution to the war; at any rate it is fairly clear that it has no connection with the Act of 1897.⁴

Neither is there any evidence that an extension of the area of compensation has made the men willing to run greater risks: or

¹ 64 Vict., 1900, No. 43.

² Report of Registrar of Friendly Societies, 1898, part A., pp. 15, 16.

³ 1899 Report, p. 15.

⁴ 1900 Report, p. 11.

that masters, owing to their wider risk being usually now insured, take less precautions than formerly. There is no doubt whatever that masters and insurance companies alike absurdly exaggerated the risk and the cost of insurance, and, if we observe how the insurance problem has, as a result, been worked out, owing to the exorbitant prices charged at first by the companies, it will be realised how little fear there can be in reality of an accession of carelessness on the part of the masters.

The masters in the mining industry, the one which was thought most likely to suffer by the Act, estimated that the cost of insurance to them would be £2 10s. per cent. of the amount paid in wages: but even coal owners like Sir James Joicey admit this estimate was far too high. Sir W. Thorburn, in the recent debates on the extension of the Act to agricultural labourers, gave a typical instance:—"In the district I represent, but also in Roxburghshire, the manufacturers have formed a mutual insurance company in connection with the Compensation Act. When we first of all applied to various insurance companies, as much as 7s. 6d. per £100 of wages was asked us as a premium. The lowest offer we had was 4s. 6d.: we then got up this mutual insurance company, and commenced by charging 2s. 6d., a rate which we found to pay very well."¹

Similarly the Birmingham manufacturers combined in a large association to insure themselves in order to avoid the exorbitant charges of the insurance companies, and from all I can learn, this has been the commonest course in all industries, including even the coal industry, though naturally any figures showing the extent to which insurance has gone, and how far masters have insured among themselves, and how far they have insured with the companies or are commencing to do so now that the charges of the latter have fallen to reasonable proportions, are impossible to obtain.

But the very fact that the tendency has been for masters to insure amongst themselves is the best answer to any criticism that they are likely to neglect proper precautions; the benefits of care, the losses due to carelessness equally fall on themselves, and as has been the case in Germany, the associations of masters would soon feel the argument of the pocket, and eject any employer whose disregard of proper precautions caused accidents, the cost of compensation for which would have to be borne by all the members of the association.

Lastly the prosperous condition of the coal trade in the last three

¹ Hansard, March 21, 1901, vol. 80, p. 1418.

or four years is sufficient answer to the suggestion that the Act of 1897 would ruin the trade. That prosperity is, of course, due to wider causes, and is in no way connected, directly or indirectly, with the Compensation Act; but at the same time it proves the truth of what the writer stated at the time, that the burden imposed by the Act is so small that it is useless to say that the whole future of a great industry depends upon it. An increase in a foreign navy, on the one hand, or the discovery of a good foreign coal seam on the other, are the sort of factors which really determine the condition of the English coal trade far more than a few shillings per £100 of wages imposed by the Act.

Of the recent prosperity of the coal owners there can be no question. Sir Michael Hicks Beach, speaking on May 2nd, stated that last year the coal owners made 34 millions more profit on a capital of 110 millions than they made in 1897.¹ The exports of coal were in 1896 14 millions sterling, and in 1897 had increased only 1 million; in 1898 they were 17 millions; in 1899, 21 millions, and in 1900 jumped up to the tremendous figure of 36 millions, or a good deal more than double what they were in 1897.²

The writer stated at the time that in his opinion there were three solid objections to the Act: *first*, that the Act throws the whole responsibility on the individual employer; this was a very real difficulty, but has, as already suggested, been very largely solved by the adoption of the principle of insurance by the masters; and better still, of schemes of mutual insurance, whereby employers of a whole trade or a whole district have combined together to insure one another and so divide the risk. *Secondly*, the Act involved no joint action of the masters and men either for the purpose of arbitration or of insurance. As to the first purpose, the arbitrator, who is most often the County Court Judge, has very wide and ill-defined powers; his decisions have in various parts of the country been conflicting, and have often had to be reversed or overruled, as we shall see directly, by the Court of Appeal or House of Lords.

The Act came into force on 1st July, 1898; from then to 1st December, 1898, there were 178 cases in England and Wales brought before the County Courts, of which 104 were heard by the Judge and 8 by the County Court Arbitrator (the rest being settled), and £7,766 was awarded in compensation.³ There is no

¹ Ross, Parliamentary Record, p. 14.

² Annual Board of Trade Statement of Trade of United Kingdom, 1900, vol. 1, p. 47.

³ Home Office Returns, 1899, C. 9257, p. 11.

means of knowing how many cases were settled by voluntary informal arbitration, or by a committee of masters and men (the alternative methods of arbitration allowed by the Act (Schedule 11, 1, 2)). Voluntary arrangements may, if the parties like, be registered in the County Court under Schedule 11, Sec. 8, but this is very irregularly done. Down to December 31, 1898, only 163 arrangements were so registered, securing £2,442 in compensation, and they came nearly all from one small district in Yorkshire.

The figures for England and Wales from January, 1899, to December 31, 1899, naturally show a great increase; 1,347 cases came into the County Court, of which 828 were heard by the Judge and 98 by the County Court Arbitrator, and £40,907 was awarded in compensation: during the same period 763 voluntary arrangements were registered, securing £14,301.¹ The figures for the period down to December 31, 1900, are not yet published, but those given will show how many cases come before the County Court Judge, and how greatly increased the importance of his position has become in consequence of the Act, and what added influence he exercises in the disputes between masters and men. This is unfortunate, for, as pointed out at the time, the object of the Act was to secure a business arrangement of an admitted liability in place of a legal battle in the Courts.

At the same time, cases of arbitration by voluntary committees of masters and men, as suggested by the Act, have not been unknown, and when tried have succeeded admirably: they are naturally only possible in industries, such as engineering or mining, of large extent; in isolated trades, like carpentry, where the masters have no strong local or trade connection, and employ but few hands, they would be out of the question. Where feasible, they are clearly preferable, as promoting the sense of co-operation in the common object of production which it is so advisable to foster. Sir James Joicey gave an interesting instance in the House of Commons relating to the coal trade: "Speaking," he said, "as one who has had as much experience as any member of this House of the working of the Act, I am bound to say many of the dangers that were anticipated have certainly not arisen. So far as the Act has worked in Northumberland and Durham, we have extremely few cases of litigation: that is owing not to the clearness of the Act itself, but entirely to the common sense of

¹ Home Office Returns, Cd. 281, pp. 13, 14. It is only fair to say that, according to the Home Office Returns just quoted, the litigated cases are probably not more than one per cent.; if so, one of the chief objections to the Act is gone. (See page 10 of Report.)

the people in the North of England, who endeavour to adapt themselves to any measure which the House passes. If the interesting method in which the Act has been dealt with in the North of England were considered, I think it would be agreed that the common sense of employers and workmen has made up, to a large extent, for the deficiencies in the Act itself. Committees have been formed, consisting of three workmen and their employers, the Secretary and Solicitor of the Miners' Union, and the Secretary and Solicitor of the Employers' Association, and it is remarkable how many cases which appeared to be extremely difficult have been settled by this most excellent arbitration clause."¹

With regard to joint action between masters and men for the purpose of insurance, arrangements framed to cover the whole period from the date of the accident have usually been achieved by a contracting out scheme certified by the Registrar of Friendly Societies under Sec. 3: however, though joint contribution by the workmen is common, it must be borne in mind that by the schemes the masters often take the whole burden: of such schemes there were 32 certified in 1898 and in operation on June 30, 1899, adopted by 100,397 workmen² who had contributed £30,220, while the employers had contributed £40,676: the payments on death were £7,867, during incapacity £31,897, and for other benefits £5,327. The average duration of incapacity was found to be 3 weeks 2 days, and the average weekly allowance 13s.

According to the reports for the following year, ending December 31, 1900, there were 46 schemes certified and in operation on June 30, 1900, adopted by 123,289 workmen, a steady though not large growth. The workmen contributed £44,371 during the year, and the employers £69,503. The payments on death were £13,199, during incapacity £52,280, and for other benefits £6,738. The funds had increased during the year by £37,923. Taking this latter fact into account, together with the sums appearing each year for "other benefits," and the fact that under the schemes the workmen get compensation for the first two weeks, the Registrar seems justified in his conclusion that from the actuarial point of view at any rate, the workmen do get consideration for their £44,371, and that the schemes are not "less favourable" than the provision of the Act.³

¹ Hansard, vol. 80, p. 1407, March 21, 1900.

² See Home Office Returns, 1899, C. 9251, p. 8. But see Returns for 1900, Cd. 281, p. 7. Registrar of Friendly Societies' Reports, 1900, p. 27; ditto, 1901, p. 23.

³ For a criticism of these schemes, see ECONOMIC JOURNAL, March, 1901, p. 23.

Finally, the legal incompleteness of the Act, the frequent definitions by reference to other Acts, and the many vague or unconsidered points with which the Act bristled, together with the admission of the technical assistance of lawyers in all cases was certain to cause much litigation; and this has in fact been the result.

To take the cases which figure in the Law Reports as coming before the Court of Appeal (to which appeal lies direct from the County Court under the Act) or the House of Lords: in 1898 there were two such appeals, in 1899 there were 32, and in 1900, no fewer than 66. As the most obvious difficulties in the Act become interpreted, this flood of litigation will tend to abate, but that point does not yet appear to be reached. This does not profess to be an edition of the Act of Parliament or a manual for practising lawyers, and into a minute discussion of the cases it would be useless here to enter; many of them have been rendered necessary owing to the difficulties of definition by reference: the Act, for instance, includes within its scope a "factory" as defined by the Factory Acts (Sec. 7 (2)): the Factory Acts apply to docks, and so far as relates to the process of "loading or unloading therefrom or thereto, all machinery and plant used in the process." So a workman running a gangway out to meet an incoming ship and falling and being crushed between the ship and the dock was held to be engaged about a "factory" within the Act:¹ but a vessel in dock has been gravely held not to be a "factory;"² and the fact that there is unloading machinery used on board the ship will make no difference, and it must be used on the quay³ to come within the definition. Other difficulties and disputed cases arise from the restricted provisions of the Act, an artificial state of things which will disappear when the Act is finally extended to all employments; for instance, the Act applies to any building "which exceeds 30 feet in height, and is either being constructed or repaired by means of scaffolding, &c." (Sec. 7 (1)). How is the 30 feet to be measured? Is it from the ground level or from the area, where one exists? Supposing the building is to be raised to 50 feet but has only reached 25 feet when the accident happens? This and numerous other puzzles arise on those words of the Act, some of which have received decision, but many still remain to be decided. Other difficulties again turn on the mechanical portion of the Act and involve no question of principle at all: the case of *Lysons v. Knowles* recently fought up to the House of Lords, though of

¹ *Merrill v. Wilson.*

² *Flowers v. Chambers.*

³ *Healy v. McGregor.*

great importance to workmen, as settling that a man engaged for less than fourteen days is entitled to compensation, yet is merely an explanatory piece of legal arithmetic.

Many cases, such as those defining what an "accident" is, those dealing with the problem of when an accident arises or does not arise "out of and in the course of employment," are more fundamental and more permanent acquisitions to the jurisprudence of the subject, but they do not admit of adequate treatment here.

Suffice it to say that the writer may fairly claim fulfilment for his prophecy made in 1897, and that masters and men have combined to make the Act one of the most successful as it certainly was one of the most ambitious pieces of economic legislation of the century.

MONTAGUE BARLOW

LOCAL TAXATION IN GERMANY.

ONE of the questions addressed by the Royal Commission on Local Taxation to the financial experts consulted related to the possibility of devising methods of raising taxation for local purposes otherwise than by rates on the annual value of real property. The answers involve many questions of extreme difficulty and it was suggested that information should be collected regarding the expedients adopted abroad.¹ The object of this paper is to give some notes on the conditions of local finance prevailing in Germany.

Many changes have taken place since the notes on German local taxation were written which Mr. Goschen incorporated in his celebrated Report, but the experience in Germany has not ceased to be valuable. On the contrary, owing to the fact that more than once in that country the question of local taxation has come up for solution as a whole, discussion and experience have established definite principles to a greater extent than in England, where there has never been a departure from the traditions of the past. Particularly interesting is the great remodelling of local taxation which has just been completed in Prussia. Most of the vexed questions which have been investigated by our Royal Commission had to be dealt with by von Miquel, the Prussian Minister of Finance. The distinction between expenditure, on the one hand, which confers narrowly circumscribed local benefit, and outlay, on the other, of broad national import with the consequent division of local taxation into "onerous" and "non-onerous" rates; Betterment assessments for municipal improvements, municipal trading, taxation of capital value of land, of vacant building spaces, imperial subventions, all required attention and were treated in a manner which is distinctly worth studying. Some of the witnesses before the Royal Commission suggested the direct appli-

¹ Prof. Edgeworth, *Evid. Roy. Com. Loc. Tax., Memoranda*, p. 187.

cation in this country of certain German expedients—the peculiar form of income tax, for instance. Such proposals are, of course, unreasonable. It is not for furnishing executive details that any study of foreign institutions is valuable. Administrative methods are governed by individual peculiarities. Guiding principles alone are worth considering, and I think it will be found that the broad leading ideas do certainly receive illustration from the successes and failures of our neighbours.

The following notes are necessarily brief, and indeed more cannot be hoped from them than that by giving a review of the field as a whole they will indicate where further inquiry promises to be fruitful, or where, from divergence of conditions, analogies are useless. They are thrown together under three heads: (1) A brief general account of the principal German methods of raising local taxes and a criticism from the English point of view; (2) An abstract of the provisions of the new Prussian Reform Act, the “*Kommunalabgabengesetz*”;¹ and (3) A description of the German method of distributing imperial subventions. I have to express my thanks to my old schoolmaster, Hofrat Professor Jacob, for procuring from an official source certain statistics not otherwise obtainable.

I.

The division of the duties of Government between State and local bodies is broadly the same in England and Germany. As with us, also, recent years have seen a rapid increase in the functions imposed on decentralised authorities. A difficulty has likewise been encountered in providing the local authorities with the necessary funds for administering their extended sphere. It is in the method of raising these funds that the two systems diverge.

The peculiarity of the English method of levying local taxation is this, that alone of European nations we have established a scheme of finance by which even the smallest and least educated board of guardians or overseers can make up the basis on which it imposes its taxes.² This, as we know, is made possible by

¹ Common contraction: K.A.G.

² Much stress is usually laid on the Independence which the English method is supposed to secure to local authorities. (Bastable, Farrer.) I confess myself entirely unable to appreciate the weight of this argument. Why should it be more independent to impose 1d. per £ on all rentals in the assessment roll, than to lay 1 per cent. on all incomes detailed in the “*Kataster*”? Is a municipal council less independent than a poor-law authority because the latter makes up the roll, while the

defraying all local expenditure out of a single tax of simple nature, a rate on the annual value of real property. In other countries the sweeping simplicity of such a system is considered to be inadequate for the requirements of the case. It is admitted that a large proportion of the expenditure of local authorities confers special benefits on the areas concerned, and in particular on the owners of fixed property in the district. It is agreed that real property forms the most suitable subject for this part of local taxation.¹ On the other hand, it is most emphatically maintained that that other part of local expenditure which is incurred for national objects and benefits no one in particular, should be distributed so as to secure equality of sacrifice. To attain these objects systems of local finance have been built up on the Continent which as regards details offer little guidance to Englishmen, but which in their principles give the practical application of ideas which have been expressed as theories by so many of the witnesses before the Royal Commission.

Even the details, however, have found supporters. For discussion of this matter the broad division into direct taxes and indirect may be adopted.

Indirect local taxes do not appeal to Englishmen, but among the financial experts consulted by the Royal Commission they are boldly advocated as a desirable reform by Sir Robert Giffen,² while Mr. Courtney likewise suggests them, although with considerable reservations.³ The country usually associated with octroi duties is France, but they are also used in Germany, and the experience of that country may prove to be more valuable to us. Considerable difference of opinion prevails in Germany regarding indirect local taxation. Theoretical writers as a rule give it their support,⁴ popular opinion on the whole

borough is furnished with it ready made and may not depart from it? Scotch local bodies are usually supplied with official valuations; are they therefore to be considered less free than their Southern contemporaries? The argument that French and German decentralised governments are kept in leading strings by "centimes additionels" and "Zuschläge," while in England they strike out freely a line of their own, seems to me to be empty rhetoric. The system has grave drawbacks, but they are of a different nature.

¹ *Handbuch der Staatswissenschaften*, ii. vol. 3, § 69.

² Volume *Memoranda*, p. 98.

³ *Ibid.*, p. 90.

⁴ This tendency of theoretical opinion in favour of octrois is a reaction against the principles which led to the abolition of these duties in Belgium in 1860, in Holland in 1865, and which induced Prussia in 1873, to considerably reduce duties on articles of consumption. At that time "payment for service rendered" was laid down as the first canon of local taxation. Now continental writers are going back partially, at least, to the general theory of taxation, which they discarded as a

does not, and there is a steady decline in the yield of this branch of revenue.¹ The Prussian Reform Act, it is true, expressly retains octroi duties, but the reasons advanced in their support by theoretical economists probably received additional persuasive power from the fact that to abolish octrois was to curtail local sources of revenue. In days when local revenues are distinguished by this universal characteristic of being inadequate to cover expenditure without the aid of national subventions, legislatures hesitate to sweep away a tax for which the machinery of collection is already in operation. Duties on articles of consumption therefore continue to exist, but there is a strong popular tendency opposed to them, which deserves to be considered in estimating the value of proposals which are backed by the authority of the eminent economists mentioned.²

One great objection³ is the difficulty of collection⁴ in the "open" towns of modern times. Berlin, until the early sixties, was surrounded by a wall which on the abolition of octroi duties was replaced by the well-known avenue of streets, Königinstrasse, &c. Leipzig, also, when it collected these duties was cut off from the surrounding country by a palisade, and in

guide for local finance, viz., distribution of taxes according to ability to pay. It is now recognised that a large part of local expenditure is of the same general nature as that of the State, and the return to favour of octrois is part of a movement to secure an equitable distribution of "onerous rates." Least emphatic among the supporters of octrois is the writer in Schonberg's *Handbuch der Polit. Oekonomie* (III. 2, p. 112). More so Schäffle in Frankenstein's *Handbuch der Staatswissenschaften*, and, quite unhesitating, Wagner, who in criticising the English system of local taxation, says (*Finanzwissenschaft*, Vol. III, § 164) "That British local taxation excludes duties on articles of consumption makes it appear not better, but rather still more one-sided. The exclusive use of direct taxes is a defect. As an example for the Continent the English system can in no way be regarded."

¹ Besides the instances to be mentioned in the text, the following statistics illustrate this decline over the country as a whole: In 1869, indirect duties on articles of consumption made up 22 per cent. of total local taxation in urban districts. In 1892, the proportion had fallen to 4.69 per cent. in towns of above 10,000 inhabitants, and 3.73 per cent. in smaller towns. (Official Mem., explaining K.A.G.).

² It is also interesting to note that when the Belgian *octrois* were abolished (Bastable, iii. chap. 6, § 7), the voting in the Chamber of Deputies showed a majority in favour of the proposal of 99 out of 101 members present. (Reitzenstein in *Schmoller*, Vol. 1887).

³ It is not necessary to recapitulate the general well-known arguments against octrois such as the impediment to traffic, burdening of poorer classes, &c. It may, perhaps, be pointed out that after eliminating "necessaries" from the articles subject to the proposed duty, and also those commodities already taxed by the national government, there would only remain the innumerable, but unproductive subjects, which in pre-reform days swelled the British tariff list, but left the exchequer empty.

⁴ Sir R. Giffen refers to the ease of collection (*loc. cit.*). He means the ease to the ultimate payer of an indirect duty, not to the collector.

Dresden, which in Saxony is the only important town using octrois, the difficulty of collection is very great. Modern conditions in themselves have introduced an almost insuperable barrier to this method of local taxation. As long as merchandise was transported by road, it was easy to tax commodities as they entered a locality. With the introduction of railways this is changed. Stations are planted in the centres of towns, and to add to the already existing regulations that of a customs examination would introduce a congestion of traffic which may be tolerated where long habit has accustomed people to such restrictions, but which could never be introduced as an innovation.

Another argument against octroi duties which is more important than physical obstacles to collection was pointed out to me by a German friend. In citing France and Italy as examples of countries where large revenues are raised by this method, it must be remembered that the national character of North and South Europeans is widely different. Frenchmen and Italians have ideas of their own on personal liberty.¹ Germans, on the other hand, object strongly to being bothered by the petty inconveniences and harrowing control connected with octrois. They have been widely abolished in late years, and would have been done away with still further were it not for the growing difficulty of raising adequate local revenues. If the discipline-loving police-ridden Prussian chafes under the octrois, what hope is there of the submission of the Britisher?

Finally, if we accept the position that the peculiarities of the French and Italian national character make Germany a better guide for an English reformer, there is the conclusive answer of unproductiveness. In Prussia and Saxony there are only seven important towns where the yield of duties on articles of consumption is more than trifling. In Bavaria and Alsace-Lorraine it is different, but these countries have been too deeply influenced by French ideals to be cited as precedents for England. (See table I. The figures relate to the year 1897-8.)

And not only are octrois unproductive in general in Germany, they have another feature which for English purposes renders them inefficient. The great object of the reformer, so far as new revenues are concerned, ought to be to devise a method by which small authorities can raise independent taxes. The difficulties will certainly be less in populous places. From particulars given by Prof. Neumann² German experience seems to prove

¹ As regards France, see Mr. Bodley's chapter on "Liberty."

² F. J. Neumann, *Zur Gemeindesteuerreform in Deutschland*, 1895.

that the smaller the local body, the more insignificant is the proportion of its revenue which is raised by octrois. In places of above 40,000 inhabitants taxes on articles of consumption make up a proportion of total local taxation equal to 14·58 per cent.

In places between 40,000 and 10,000 inhabitants, 9·59 per cent.

In places below 2,000 inhabitants, 7·51 per cent.

Direct local taxes after the continental model have not been

TABLE .

Town	Population.	Percentage of total local taxation made up by duties on articles of consumption.	Town.	Population.	Percentage of total local taxation made up by duties on articles of consumption.
Preussen—			Preussen (cont.)—		
Aachen	129,000	25·00	Magdeburg	218,000	4·27
Altona	151,120	—	Münster	59,570	4·73
Barmen	130,430	3·08	Posen	74,160	22·64
Berlin	1,726,565	1·52	Potsdam	59,730	28·08
Bochum	56,880	3·59	Spandau	57,950	5·60
Breslau	391,000	22·06	Stettin	128,290	2·81
Cassel	85,250	23·96	Wiesbaden	76,960	22·80
Charlottenburg ..	152,460	—			
Danzig	127,530	—	Sachsen—		
Dortmund	123,250	—	Chemnitz	167,660	3·05
Düsseldorf	186,530	3·51	Dresden	356,800	19·56
Duisburg	73,070	3·59	Leipzig	409,830	—
Elberfeld	143,370	3·16	Plauen	56,920	4·03
Erfurt	79,570	5·65	Zwickau	51,410	—
Essen	104,540	3·52			
Frankfurt a. M. ...	239,170	·85	Bayern—		
Frankfurt a. O. ...	62,010	3·63	Augsburg	83,140	34·06
M. Gladbach	54,840	3·53	München	421,800	25·59
Görlitz	120,210	4·77	Nürnberg	172,550	28·98
Halle	220,500	4·79	Würzburg	70,720	44·14
Hannover	89,400	—			
Kiel	73,870	3·49	Elsass-Lothrin-		
Köln	333,660	4·36	gen—		
Königsburg	173,430	4·31	Metz	59,990	89·92
Krefeld	108,090	3·49	Mühlhausen	85,120	75·39
Liegnitz	53,010	4·49	Strassburg	139,700	85·27

advocated by financial experts, but they have attracted popular attention, and are certainly interesting. All the important duties of this kind are identical with the direct taxes levied by the State. The local authorities are furnished with the national "cadastre," and impose an addition (in Germany "Zuschlag," in France "centimes additionels") in their district according to their needs. In the kingdom of Prussia matters have been so far simplified that with the exception of the income tax the

leading direct taxes placed at the disposal of local authorities have now been abandoned by the State itself, so that the "Kataster," as Germans call it, is used by the local authorities alone. But this does not alter the nature of the levy. The national basis of the taxes, and the old fixed national rates of impost, are the foundation followed. The practice, of course, presumes a basis of assessment by which one locality can be separated from another. The national taxes subject to "Zuschläge" and the amounts of these local additions expressed in percentages of the corresponding national tax are given for 10 towns in table II. The figures relate to the year 1899-1900.

TABLE II.

	Tax on capital value of land.	Tax on capital value of buildings.	Tax on trades. (Gewerbe.)	Tax on industrial pursuits. (Betrieb.)	Income tax.
Berlin	150	150	150	100	100
Breslau	136	136	136	100	119
Danzig	182	182	140	150	188
Essen	200	200	200	200	200
Kiel ..	150	230	150	150	180
Köln	115	115	180	135	100
Krefeld	140	140	162	162	162
Potsdam	150	150	100	100	100
Rixdorf	206	106	180	100	133½
Wiesbaden	112½	112½	112½	112½	90

Thus, to take the income tax, if the national rate were a shilling, the local rate would be in Berlin one shilling also, in Essen two shillings, in Rixdorf one shilling and four pence, all to be added to the national shilling.¹

As we already have local taxes on land and buildings in England, it is the income tax which certain reformers would like to see made accessible to local authorities after the continental model, and this direct local tax is, therefore, the only one I shall consider. To adopt a system of "Zuschläge" would involve a complete reconstruction of our income tax, and the question therefore practically resolves itself into a discussion of the peculiar merits of the English form of this tax as compared with the German. The advantage which is held out as an inducement to adopt a local income tax, is the possibility of assessing a part of local rates according to equality of sacrifice—as far as an income tax will do this. Against this not very valuable acquisition we

¹ The Prussian income tax is graduated, so that strictly speaking it is misleading to illustrate the matter by the English rate.

should have to set the loss of the well-known conveniences of our method of assessment.

It must not be forgotten that "Zuschläge" would considerably raise the rate of the income tax (*conf.* table II), and if such large sums were to be raised it would become necessary to assess with very much greater minuteness, to take many more particulars of the taxpayers' position into consideration, if gross injustice were to be avoided. When to these complications are added the arrangements for preventing the "double taxation" of persons earning their incomes in various parts of the country, one realises the practical difficulties connected with a proposal which is *prima facie* very attractive. In discussing the financial aspects of taxation, the political side of the question must not be left out of sight. Our simple, rough English methods raise the money somehow and with little inconvenience. The complicated German system straining after scientific adjustment has grave disadvantages of its own. Referring to the Saxon income tax, which is supposed to be a very good one of its kind, an official of wide experience writes in a memorandum on the subject:¹ "It is no exaggeration to assert that if the financial condition of a taxpayer is in any way complicated, the preparation of his declaration of income in a manner which will satisfy the authorities, becomes an exercise which severely tests the knowledge of an expert. It is not surprising that the public have come to look upon the whole income tax as an occult science of the revenue officials, to which they are abandoned without hope, and in regard to which honesty is not the best policy." This discontent is increased by the very low limit of exemption allowed.² When a tax becomes such an important component, especially of local revenues, it is naturally impossible to relieve whole classes of the population. The result is great difficulty in collection. In Chemnitz, a manufacturing town in Saxony of about 168,000 inhabitants, the number of legal summonses which had to be employed in levying local taxes was as follows :

1881.....	12,900
1887.....	31,800
1893.....	52,200

and the ineffectual legal proceedings were in number :³

¹ Quoted by Prof. Neumann, *Op. cit.*, p. 251.

² The Prussian limit of exemption for the national tax is £45, but for local purposes there is authority to go lower (K.A.G., § 38).

³ Neumann, *Op. cit.* Prof. Neumann informed me that local rates are sometimes collected by instalments (half-yearly, quarterly, even monthly), so that the

1881.....	2,030
1887.....	5,520
1893.....	14,020

This brief examination of the leading methods of local taxation in Germany as exemplified by octroi duties and local income tax, shows how little assistance is to be gained from a study of foreign administrative details. French internal custom duties applied to Prussia find no receptive soil; transplanted to England they would probably be even less successful. "Centimes additionnels" and "Zuschläge" may do well on the Continent, but only on account of peculiarities of historical development and utter divergence from our fiscal ideals. Our reforms, whatever they may be, ought to be essentially English.

On the other hand, the Principles of local taxation receive illustration in continental systems, especially in the reformed arrangements of the kingdom of Prussia. I hope that a detailed treatment of this matter will be a serviceable contribution to the question of our own reforms. The new Prussian measures are very imperfectly understood. Professor Seligman's appreciative account is most imperfect, and in part directly misleading,¹ while Professor Bastable's reference to the subject is simply opposed to facts.²

II.

The recent reform of local taxation in Prussia is an interesting study to all students, because the Minister under whose guidance the measures were framed had the boldness to undertake such a thorough reconstruction, that he restarted with practically a clean slate. The system of local finance which has been

same people may appear as defaulters more than once in these figures. Also that it frequently occurs that the legal summons is sufficient to secure payment without the threatened proceeding actually taking place. In any case, however, the figures quoted are astounding and to find how far they were representative, I took at random three towns and examined their reports. In Leipzig (409,000 inhabitants) there were 74,268 cases of compulsory collection of taxes during the year 1898, and in Breslau (391,000 inhabitants), 111,006 cases in the same year. In Breslau the details given show that the average amount of the claims was slightly under 8s. each, and that 7,456 were collected by seizure of movables, 7,789 by attachment of wages. In Dresden (357,000 inhabitants) the statistics are not grouped in the same way, but there were 62,324 cases in which the authority of the court was given to enforce payment of taxes by seizure of property, while out of this number, payment was only secured in 38,268 cases, either by sale of the property or otherwise.

¹ Public finance, book III., chap. vi. § 7.

² *Essays in Taxation*, p. 339.

created exhibits, therefore, an application of modern theories which is not to be found elsewhere. Further, to Englishmen the Prussian legislation is doubly valuable as an example because our local institutions,—as far as they do not relate to finance—have exercised great influence on Prussian development.¹ The duties handed over to decentralised authorities are almost the same in both countries, so that the expenditure to be provided for by local taxation is of a similar nature.

The grievance which in Prussia gave the necessary impetus for wide reforms was the manner in which the system of "Zuschläge" had degenerated into selecting the national income tax alone as the basis for contribution. In towns of above 10,000 inhabitants 76 per cent. of the tax revenue was raised in this way. In small towns and country districts the percentage was 93 per cent.² This heavy taxation of general income for such outlay as increases the rental of real property caused the gravest popular discontent. Administrators, also, were compelled to take action owing to the technical drawbacks of such extreme local taxation of income.³ Three government bills dealing with the subject were introduced in succession,⁴ but they were considered to be partial, tinkering proposals and were thrown out. The credit of having solved the question in an adequate manner belongs to von Miquel. To illustrate the painstaking care which Prussians thought worth while to devote to the reform of their local taxation it should be noted that between the first bill referred to, and the coming into operation of the Act of reform, there is an interval of seventeen and a half years. In 1885 a temporary measure of relief was passed,⁵ and a subvention granted, which is noteworthy as the only exchequer contribution in aid of *general* local taxation which Prussian financiers ever permitted.⁶

The general lines on which reforms should proceed had been discussed in academic treatises and by more popular methods, and there was a general consensus of opinion that land, buildings, and industry (Gewerbe) should bear a share of local taxa-

¹ Schönberg, *Handbuch der Pol. Oekon.* "Das Kommunale Finanzwesen," Einleitung.

² *Ibid.*, p. 87.

³ In 1883-4, there were 233 cases in which the "Zuschläge" to the income tax exceeded three times the national rate; thirteen cases in which they exceeded five times the national rate; a few cases in which they even amounted to six times the national rate. Schwarz "Kommunalabgabengesetz," page 5.

⁴ Bills of 14th Nov., 1877, 2nd Dec., 1878, 3rd Nov., 1879.

⁵ Kommunalsteuer Notgesetz.

⁶ The so-called *lex Huene*. Repealed, 1893.

tion. The application of this idea was complicated by the fact that real property already contributed heavily to national taxation.¹ The Prussian Minister of Finance determined to deal with the subject in a bold and thorough manner in accord with the importance of the question. He reorganised the national taxes so as to be able to dispense with imposts on land, buildings, and "Gewerbe," and, without going into minute calculations of hereditary burden, abolished these taxes for national purposes at a stroke.² The sources of revenue thus set free were handed over to the decentralised authorities and local finances were remodelled from their foundation.

Considerable discussion centred round the question of the proper proportion of local expenditure to defray out of taxes on realty. The English system was naturally referred to,³ but our method of defraying all expenditure by rates on real property was not approved of. Miquel summed up the conclusions he himself had arrived at in an interesting speech⁴: "Without doubt local authorities have duties of a national character. The expenditure on education and police must at least be considered as such. For this reason it would be unjust to accept the proposal which has been made to place all local taxation on real property. No, there are a number of duties which make it in no way permissible to burden realty alone. There are, on the other hand, a great number of local services which arise out of the co-operative character of local bodies, which result in improvements to land and buildings, which confer benefit on the section of the community owning property, or carrying on trade (Gewerbe), which are in fact made necessary by these people."

The apportionment of expenditure over taxes on real property and taxes on general wealth was not, however, adopted as the fundamental principle of the reform. Benefit is conferred by local expenditure not only on property, but on persons irrespective of their property. The Prussian reformers, therefore, try to "reach" benefit *wherever it arises*. In local finance they depart from the usual principles of taxation, and, in every case

¹ *Conf.* Mr. Goschen's Report on Local Taxation, 1870.

² Gesetz wegen Aufhebung direkter Staatssteuern (14th July, 1893). "Direct" is used in the restricted technical sense in vogue on the Continent, i.e., according to a "cadastre." See Plehn, *Introd. Pub. Fin.*, page 88.

³ Advocated chiefly by Gneist. For consideration of subject see "*Drucksachen des Abgeordneten Hauses*," 1892-3, No. 8, page 18.

⁴ Prussian House of Deputies, 29th April, 1893. Quoted in Frankenstein's "*Handbuch der Staatswissenschaften*." Die Steuern.

where it is possible to do so, make payment for services rendered the basis on which local levies should be distributed. Only when the benefit conferred becomes immeasurable, or when the classes benefited are too poor to pay, may expenditure be defrayed from the wealth of the community at large.

Two classes of benefit conferred by public expenditure are thus recognised: special local benefit, and general national benefit. Correspondingly local revenues are divided into two categories. Firstly, special payments for services rendered, briefly, "dues," secondly, general "taxes." The possibilities of defraying special local benefits by dues are, however, limited. "Taxation," the second source of local revenue, is therefore, itself subdivided into two categories. Firstly, "taxes" on *particular forms* of wealth for covering that part of special local benefit not recouped by dues, secondly, "taxes" on *general* wealth for covering expenditure of national concern which cannot be said to benefit one person more than another. To recapitulate: there are (1) payments for services rendered, (2) taxes (a) imposed according to benefit, (b) imposed generally.

As no sharp line can be drawn between expenditure which confers special local benefit and expenditure which does not, the act embodying the reforms lays down the general rule that in all cases an attempt shall be made to cover expenses by contributions from those interested. It is only for the deficit which may arise that "taxation" in any form is permissible. Much is left to the discretion of local authorities. Instead of laying down hard and fast rules, it was considered desirable to encourage local bodies to adapt their system of finance to the particular requirements of each locality, on the ground that the central government could not provide for special cases as well as the local authorities on the spot could do for themselves. To secure adherence to certain general lines supervising authorities are established, in the same way as in England we have Local Government Board Auditors.

I proceed to deal briefly with the Act of Reform itself.¹ To understand its provisions it must be remembered that the work of local government in a given area is not in Germany split up among various independent bodies. Thus in the instance of a town, the "Parish Council" and "School Board" are merely Committees of the "Town Council." The work and the taxes are amalgamated. The leading provision, as has already been

¹ *Kommunalabgabengesetz*, 14th July, 1893. I have used the annotated edition by O. and W. Schwarz.

pointed out, is that "taxation" shall not be resorted to until all other methods of defraying expenditure have been exhausted.¹ The first case of special payments taken up is the price to be charged for the products of Municipal trading. These enterprises must on no account be worked at a loss.² The supervising authority has power to insist on this point. Local authorities are on the contrary encouraged to earn a surplus in relief of taxation,³ but on this point the supervising authority has no right to interfere. Any profit shall be applied in relief of general taxation, not to particular purposes.⁴ An interesting discussion took place in the House of Deputies regarding the necessity of limiting the powers of profit earning. It was decided not to do so, except in the case of slaughter-houses,⁵ on the ground that local authorities should be given as much freedom as possible, and that public opinion could be trusted to prevent such methods of taxation being carried to excess.

Special payments, or dues, in the ordinary sense, *may* be levied in respect of all institutions kept up by local authorities in the public interest.⁶ The powers given are exceedingly wide and

¹ For further reference, translations of the leading sections of the Act will be given in the footnotes. § 2. The local authorities shall make use of the permission to levy taxes only in as far as receipts from other sources are insufficient to cover their expenditure, in particular receipts from Common Property, Dues and Fees, Betterment Rates and Contributions from the State, or from local authorities of higher order.

² § 3. Enterprises of a commercial character, conducted by a local authority shall be managed on the principle that the receipts at least cover all expenses which may accrue to the local authority through such undertakings, including all charges for interest and repayment of loans. An exception may be made if the undertaking serves a public purpose, which would otherwise not be provided for.

³ Official Commentary on Act (II. B. 4, p. 50), Heymann, Berlin, 1893.

⁴ In England no such provision is made, and although most local authorities apply their profits to the relief of general rates, there are cases in which the money is devoted to purposes which can hardly be considered proper subjects to subsidise out of profits earned at the expense of the general community. Thus, Birmingham has during the last 6 years paid £200,000 in relief of Improvement Rates out of the profits of its gas-works.

⁵ Excessive profits on slaughter-houses would affect the price of meat. The profit is restricted to 8 per cent., or, if any duty is levied on meat, to 5 per cent. § 11.

⁶ § 4. The local authorities may levy dues for the use of public institutions or arrangements kept up in the general interest. Dues must be levied if the institutions benefit particularly individual members or classes of the community, unless an adjustment is made by Betterment Rates (§ 9), or Classified Taxation (§ 20). The dues should, as a rule, be arranged to cover expenses of maintenance and management, and charges for interest and repayment of debt. If there is any public duty to use said institutions, or if the public is dependent on them, the dues may be reduced in amount, keeping in consideration the public interest and the special benefits conferred on particular persons. Dues may even be remitted altogether in such cases. This section does not apply to educational institutions, hospitals,

cover even tolls on bridges, &c.¹ Dues *must* be levied if the arrangements confer special benefits on individual members or classes of the community, and the supervising authority has power to insist on this point, without, however, having a right to prescribe which of the various methods authorised shall be employed. This provision is interesting in connection with the English practice of allowing local authorities to carry on undertakings under the name of municipal trading, which are systematically managed at a loss. Beside profit-yielding ventures, like gas-works, there are a number of departments, like baths, &c., which during five years in *municipal boroughs* alone, made an average net loss of over £140,000 per annum. (*Parl. Paper*, Session 1899, No. 88.) To call these undertakings trading enterprises is ridiculous. But even regarded as departments of ordinary municipal activity, it seems hardly justifiable that they should burden general taxes with their heavy deficiencies. The German system of dues, high enough to cover expenses, seems far more equitable. The only exceptions allowed are cases in which the persons affected are too poor to pay, or the general public interest is promoted by the institutions in question. In these cases the payments may be reduced, or dispensed with altogether. For improvement schemes "betterment rates" may be imposed on the persons benefited by the expenditure.² Pay-

asylums, homes, or establishments, which are principally used by the poorer classes. For the use of higher schools and technical colleges which are maintained by the local authorities, appropriate fees shall be charged. This section shall not be construed as making it compulsory to levy tolls on roads, bridges, or canals.

¹ § 5. The right to levy tolls on roads, bridges, or canals, &c., is not affected by this Act. (There is a large body of law dealing with this subject. Briefly, there is a right to levy tolls subject to certain restrictions.)

² § 9. Local authorities may for the purpose of covering the cost of carrying out and maintaining undertakings, which are called for in the public interest, levy contributions from owners of heritable property, or persons engaged in trade who derive special benefits through such undertakings. The contributions shall be measured by the advantages conferred. Contributions, must as a rule, be levied if the expenses of the undertaking, including charges for interest and repayment of debt, would have to be provided out of taxes. The plan of the undertaking and a detailed estimate of its cost shall be open to inspection. The resolution of the local authority to levy contributions shall be published according to local usage, and the notice shall state where and at what hours the plan and detailed estimate of cost lie open to inspection, and shall further state that objections to the resolution of the local authority must be lodged within a time, which shall be specified and which shall not be less than four weeks. . . . The resolution of the local authority requires the sanction of the superior authority. . . . The deliverance of the superior authority shall be made known to those concerned in the same manner as the proposal itself. Those concerned may lodge objections against the resolution of the superior authority.

§ 10. The provisions of the law concerning the making and altering of streets and open places, in towns and rural districts, of 2nd July, 1875, are hereby retained

ments for services rendered must be arranged so that their yield does not exceed the expenses of the relative branch of local work.¹

The "taxes" authorised for local purposes are as follows:

- (1). Indirect taxes; (2) direct taxes—(a) on land and buildings, (b) on trade,² (c) on income.

(1). The powers of the various German Federal States to authorise indirect local duties on articles of consumption are limited by the Constitution of the Empire, and in addition to these restrictions, Prussian legislation forbids duties on "necessaries" except where they already exist,³ but within these limits the new Act is favourable to indirect local taxation.⁴ Among indirect taxes there are also classed, according to continental custom, taxes which in England are levied by licences. Local authorities are thus authorised to tax dogs⁵ and amusements.⁶ The yield of all indirect taxes must be exhausted before direct taxes may be resorted to.⁷

(2). Direct taxes. These may be levied on the basis of the assessments provided for national purposes, as is universal in Germany, but by the K. A. G. local authorities in the kingdom of Prussia are encouraged to develop systems of their own. (a) Land and buildings. The taxation of real property which was abolished for national purposes, in order to hand this source of revenue over to local authorities, had been imposed according to a "cadastre." For various reasons this arrangement had to be with the further provision that the contributions referred to in § 15 of the Act, may be calculated according to other standards than those laid down in that section. It shall be lawful to calculate contributions according to area of building space.

¹ § 6. Sub. sec. 3.

² Gewerbe-Steuer and Betrieb-Steuer. The distinction between these two taxes is complicated and not worth referring to.

³ § 14. Duties on the consumption of meat, grain, flour, bread, potatoes, and heating materials of every description, may not be introduced anew, nor may the rate of duty be raised where such taxes already exist.

⁴ It has already been remarked that general popular opinion does not seem to favour octroi-duties. The K. A. G., therefore, makes the adoption of this form of taxation optional. In cases, however, where local authorities believe that they can use octrois to advantage, German expert opinion is unhesitatingly in favour of allowing them to do so. The hope is expressed that within the limits permitted, this form of taxation will be developed. Both Houses of the Prussian Parliament, for instance, adopted the following resolution: "That the Royal Government (Prussia) be requested to take without delay the necessary steps to secure the permission of the Imperial Government (Germany) to give local authorities more extended powers of imposing indirect duties on the consumption of beverages, and to remove the inequalities in the restrictions at present imposed on local authorities in this matter." (Quoted, Schwarz, "K. A. G.," page 123).

⁵ § 16.

⁶ § 15. Local authorities are permitted to tax amusements, including concerts and dramatic recitals, and the performances of itinerant players.

⁷ § 2. Sub. sec. 2.

continued. Principally because it would have inevitably caused confusion if local authorities had been required all at once to develop independent taxes. Local authorities therefore still levy taxes by "Zuschläge," but the State has withdrawn its part of the impost and only furnishes the "cadastre."¹ The independent local taxes on land and buildings, if they are adopted, will develop into a kind of rating on annual value,² and great hopes are expressed that this basis of assessment will in time become sufficiently prevalent to enable the State to abolish the cadastre of capital value. The process is enormously expensive, and has the consequent drawback that, owing to the cost, the cadastre is not kept up to date.

(b) Taxes on trade (*Gewerbe*) are also at present administered by the State as far as the basis of assessment is concerned, but here, also, it is hoped that special local duties will be introduced. Every facility is given for this purpose.³ It is considered that no cut and dried system laid down by a central government can meet the requirements of the infinite diversity of local conditions. Not only are there the differences of town and country and the modifications necessary in districts with certain prevailing types of industry, but also the degree of intelligence possessed by the local authority, or the tenacity with which they hold fast to traditional methods require to be given consideration. This reliance on the discretion of local authorities is interesting on account of the proposals which have been made to hand our licences over to local bodies and give them a certain measure of freedom in regulating this subject. (See Roy. Com. on Loc. Tax. Vol. *Memoranda*. Answers to Q. 14.)

(c) Income tax. This tax must always be levied on the basis of the national tax.⁴ Independent local income taxes are

¹ § 26. If independent taxes on real property are not introduced, the taxation shall proceed according to percentages of the assessment of land and buildings established by the State.

² § 25. The local authorities are authorised to introduce independent taxes on real property. The assessment may be made according to the net yield, or annual value of one or more years, according to letting value, or selling value, or according to a combination of these methods.

³ § 29. The local authorities are authorised to introduce independent taxes on trade (*Gewerbe*). Taxes on trade may for instance be assessed according to the profit of a year, or of a number of years, according to capital invested, or turn-over, or according to other indications of the extent of the business, or according to a combination of these methods. (Other sections, which it is not necessary to quote, show that the utmost freedom will be allowed.)

⁴ § 36. Local taxes on income may only be levied on the basis of the assessment provided for the State income tax, except in cases where the provisions of § 23, sub. sec. 2, are made use of. (See below.)

prohibited.¹ The framers of the Bill intended to give local authorities power to raise taxes on income by means of duties on sumptuary expenditure,² so that also for this branch of direct taxation the assessments would have been made independent of the State. But this provision did not pass, and taxes on sumptuary expenditure may only be used for providing part of the tax revenue which it is intended to raise from "income."³ To what extent this substitution may take place is not stated in the Act. House rent may not be used as the basis of taxation according to expenditure, except in cases where such taxation already exists.⁴

The portion of the Act which we now have to deal with relates to the degrees in which these various direct⁵ taxes shall be made use of. Before examining the provisions which regulate the distribution of "general taxation," it is however convenient to dispose first of an alternative method for defraying the cost of improvements. If it should prove impossible to recover such outlay by means of "betterment rates" on owners of property, or persons carrying on trades (*Gewerbe*), then a special scale of the general taxes may be imposed so as to throw a heavier burden on the persons it is desired to reach, or on the district which has been specially benefited by the expenditure.⁶ These

¹ § 37. Variations of the rate of tax imposed by the State (the Prussian income tax is graduated) are only permitted for special reasons, and require to be sanctioned. (That is to say, the scheme of graduation must not be altered. Hitherto local authorities had sometimes arranged the income tax to favour certain classes of the population.)

² "Sumptuary" expenditure (*Anfand*) does not mean expenditure on luxuries (Horses, Carriages, Men-servants, &c.), but any expenditure by means of which a probable indication of income is afforded: in short, any standard by which income can be "guessed" without making an actual numerical calculation. Most people will think the Prussian legislature very optimistic in attempting to make such a provision, but it is highly instructive to note that they have boldly faced the problem indicated by these two facts: (1) That independent local income taxes of the ordinary kind are impossible; (2) That the system of "*Zuschläge*" to the national income tax has grave disadvantages.

³ § 23, sub. sec. 2. The income tax may be supplanted in part (in the original Bill: in part, or in whole), by "*Anfand*" taxes. These taxes shall not burden lower incomes to a higher degree than larger incomes.

⁴ § 23, sub. secs. 3 and 4. No new taxes on rent, or on inhabited houses may be imposed. Existing taxes on rent, or on inhabited houses must be reconsidered in the light of the provisions for other taxes laid down in this Act. The arrangements require to be submitted to the Minister for Finance and Interior Affairs, and shall be regarded as repealed unless they have been ratified before 1st April, 1898.

⁵ There are no provisions made regulating the manner of applying "indirect" taxes. See § 17.

⁶ § 20. Direct local taxes shall be imposed on all persons liable thereto at equal rates. If, however, expenditure is in question which benefits in a higher degree, or in a lower degree any portion of the area of the local authority, or any class of the

special burdens are imposed irrespective of the regulations for distributing taxes, which will be treated immediately. After these three methods for securing payment for services rendered (dues, betterment rates, and special scales of general taxes) have been exhausted, the local authority may proceed to consider the subject of direct taxes in general.

We must imagine the case of a local budget with all its estimates of expenditure. In comparatively few cases will it be possible to defray the expense of a whole branch of work by payments for service rendered. In America, for instance, only a small part of the expense of municipal improvements is recovered by special assessments.¹ There will be entire departments—as poor relief—which cannot be covered in this way at all, and other cases in which the public interest may demand that a portion of the cost should be thrown on public taxes.² The deficiency which will always arise even after deducting any revenue derived from common property, government subventions, and the yield of indirect taxes, must be distributed over taxes (1) on real property, (2) on trade, (3) on income. For

inhabitants, and if contributions are not levied in accordance with the provisions contained in sections 9 and 10, then the local authority may resolve on a corresponding higher, or corresponding lower taxation of such portion of the area of the local authority, or of such class of the population. This resolution requires the sanction of the superior authority.

¹ Rosewater, "*Special Assessments*."

² It will be remembered that dues *must* be charged if institutions kept up by the local authority confer special benefit on individual members, or classes of the community (§ 4). Higher schools and technical colleges are especially referred to. Appropriate (Angemessen) fees are to be charged. In this connection it may be interesting to note the extent to which educational institutions are subsidised in Germany. The following table is taken from the Report of the Municipality of Breslau. "Higher" schools, means schools taking boys up to the age of about 20, and includes purely classical, as well as modern schools. The figures represent the percentage which subsidies bore to total expenditure.

	1895-6.	1896-7.	1897-8.
Contributions by local authorities for higher and secondary schools	% 52·7	% 53·2	% 53·5
Contributions by local authorities for elementary schools	88·5	88·7	91·1
Contributions by the State for elementary schools	10·1	10·0	7·7

It must be noted of course that all public schools in Germany are day schools. Breslau is the only Prussian town whose reports I have had before me, but other German towns show the same result. Even purely classical schools teaching Greek (and Hebrew for intending divinity students) are subsidised to the extent of 50 per cent. An expensive school education is not to be obtained in Germany. Technical schools are subsidised to the extent of about 30 per cent. of their expenditure.

making the apportionment the Act lays down a general scaffolding of maximum and minimum charges, the instructions being supplemented by a Memorandum from which the following is quoted ("Grundzüge" III. B. page 73).

"(a) Such expenditure as by its nature accrues to the advantage of all members of the community, or is caused by all members equally should be defrayed principally by the income tax. To this category there belong in particular the outlays connected with the national duties laid upon the local authorities by the State, as poor-relief, education, public safety, public health, &c., and the general expenses of management of the local authority.

"(b) Such expenditure as by its nature confers benefit exclusively or in a preponderating degree on real property or on trade (Gewerbe)—as the cost of drainage, or irrigation works, of making and maintaining roads serving only agricultural or industrial purposes, &c.—must be raised by taxes on real property and trade.

"(c) Such outlay as is incurred in the general interest but which at the same time confers special advantages on owners of real property, or on traders (Gewerbetreibende) should be equitably distributed over taxes on income and on real property and trade. To this category there belong in particular the outlay connected with public roads, waterworks, lighting of streets, fire-brigades, &c.

"(d). . . (e) In cases where no sure arithmetical expression can be found for measuring advantages and for distributing burdens arrangements must be made in as equitable a measure as possible. Efforts should be made to avoid any creation of conflicting vested interests."

In order to place limits to the disputes which may be expected to arise regarding the particular tax which ought to be charged with various kinds of expenditure, the general instructions on the subject are supplemented by fixing the following maxima and minima for each tax.

If the requirements of the community are such that the necessary levies can be secured without burdening the taxes on land, buildings and trades more than 100 per cent,¹ then the tax on income may be used at a lower rate, or left out altogether. If the taxes on land, buildings and trade exceed 100 per cent. then

¹ This regulation presumes that the national assessment, or cadastre is used, and the fixed standard rate of the former national tax used as a measure of the local impost. In cases where local authorities introduce independent assessments, equitable calculations are to be made regarding relative proportions. (§ 57.)

the income tax must be burdened to the extent of not less than two-thirds of the full rate. If all taxes require to be burdened to the extent of 150 per cent. of the full rate, then for every additional 1 per cent. imposed on land, buildings and trade, 2 per cent. may be added to the income tax. If the taxes on land buildings and trade exceed 200 per cent. of the full rate, the whole of the remaining levies must be thrown on the income tax.¹

Within these limits the local authorities may do as they like. If they have not made up their minds within the first three months of the financial year, the supervising authority may issue compulsory regulations.² In order to give local boards plenty of time for making the arrangements for the first year, the Act did not come into force for about two years after it passed, and local authorities were further requested to submit suggested schemes to the supervising authority by April 1, 1894.

In regard to a number of minor points which were brought up before the Royal Commission on Local Taxation, it may be interesting to note the Prussian practice. Hospitals and other charitable institutions are exempt from local taxation (§ 24). As the tax on land is imposed according to capital, not annual value, vacant building spaces are subject to taxation (§ 24). Further, "vacant building spaces which have risen in value owing to the determination of new lines of streets may be taxed at a higher rate than other vacant spaces, the rate to be proportioned to the rise in value" (§ 27). Taxes may be levied on persons coming into a district after the commencement of the financial year, provided their stay is longer than three months (§ 33). Another interesting section relating to the equalisation of rates is translated in the footnotes.³

III.

The question of direct financial grants in relief of local taxation has received great attention in Germany. Freiherr von

¹ §§ 54, 55, and 56. Further subdivision may be made between the taxes on real property and the tax on trade; and again between the tax on land and the tax on buildings.

² § 59. . . . Any regulations made shall remain in force until the local authority supersede them by other regulations, which also must be completed before expiry of the first three months of the financial year.

³ § 53. If any local authority, owing to the establishment of any industry outside its borders, is compelled to incur abnormal expenditure on account of poor relief, or elementary education, to an extent which will throw an excessive burden on the taxpayers within its borders, then such local authority is entitled to demand a proportionate contribution in relief of its taxes from the local authority within whose borders such industries are established. (Then follow regulations regarding settlement of claims, &c.)

Reitzenstein, known generally as one of the chief contributors to Schönberg's *Handbuch*, considers in one of his writings¹ the circumstances which have brought these grants into existence. The great expansion of local government has, in his opinion, made national contributions inevitable. To decrease the size of local budgets by removing certain duties to the sphere of the central government would be opposed to the decentralising spirit of the times.² To meet growing local expenditure by providing new sources of revenue is in most cases impossible owing to the smallness of the areas of local government and the different degrees of wealth prevailing. There remains, therefore, no alternative but for the central government to reconcile the discrepancy between expenditure and income by contributions out of general taxation. Subventions in aid of local finance have been developed into a permanent institution in every European country.³ The *cruz* of the matter is what purposes to subsidise, and how to distribute the money.

These questions are answered by examining the circumstances. As grants are made necessary by the poverty of local authorities, by their inability to raise very large sums of money, the aid of the national government ought to be given according to necessity for relief. The measure of distribution should be financial weakness. Further, the conditions which call subventions into existence point out not only the manner in which relief ought to be given, but also the purposes for which alone it is admissible. Local expenditure beyond the financial capacity of the area concerned is largely caused by the direct action of the State. When a local body is entrusted with the administration of a national duty, as distinct from the execution of work of purely local interest, the State steps in, and not only makes the performance

¹ In Schmoller's *Jahrbuch für Gesetzgebung, Verwaltung, &c.*, 1887. "Ueber finanzielle Konkurrenz von Gemeinden, Kommunalverbänden und Staat."

² Even more cogent reasons than the observance of "tendencies" may exist. *Conf.* proposals examined by Royal Commission on Local Taxation to transfer management of Lunatic Asylums to central government. See especially memorandum by Scotch Board of Lunacy (*Evidence*, Vol. IV., page 188).

³ I do not think that it is necessary to examine the contention of the more ardent advocates of "doles" in England, that these contributions from general taxation are called for in justice, because we impose our local taxation on real property alone. Local rates are not imposed on real property, but on persons *in proportion to their occupancy* of real property, and rates do not find their ultimate incidence on land alone, because that ultimate incidence is not entirely on the owner. As Mr. Goschen says, "Every penny that comes out of the pocket of the occupier falls, not on realty, but on the general wealth of the community." To advocate grants as corrections of one-sided incidence is a most misleading doctrine. They rest on an utterly different foundation.

compulsory—education, as contrasted with street pavement—but also sets up a uniform standard of excellence which takes no account of the poverty or wealth of the district. A town may regulate its expenditure on purely local affairs as it likes, may be lavish or economical, but when it comes to deal with poor-relief, education, police, and other matters regulated by national policy it has to satisfy government inspectors who make no inquiries as to whether it may be rich or poor. The State therefore places itself under an obligation to assist if the local authority cannot itself find the money, but its obligation must be regarded as restricted to those objects which cannot be economised in at the discretion of the subordinate body.

In distributing national relief two principles are followed in German practice, according to whether the above leading ideas can be applied or not. The grant may be given without taking into account the poverty or wealth of the locality which receives the subsidy, in which case the aid is called “dotation.” Secondly, the apportionment may be made on the basis of the relative needs of the various districts and here the name “subvention” is applied.

“Dotations” are grants given to local authorities in general, without an inquiry into individual necessity. The common principle of division in Germany is to distribute the money one half according to population one-half according to area. The “dotations” under the notorious *lex Huene* were given one-third according to population, two-thirds according to the yield of certain taxes. But such standards are necessarily arbitrary and fanciful, and where dotations occur no argument is brought forward in their support except extreme temporary necessity. Such necessity exists in England to-day, on account of the chaos brought on by long delayed reforms, and in Prussia it existed in 1885.¹ When new expenditure is called for from local authorities and the State is either unwilling to assign corresponding new revenues or unable to go into details so minutely as is necessary for distributing according to the principle of “subvention,” then a “dotation” is the only way out of the difficulty. There is a further defect inherent in all general approximations as a basis for distributing relief. Even where circumstances are gone into more carefully than is the case if such standards as population, rateable value, &c., are taken, it must necessarily follow that in the course of years there is an alteration in relative positions which undermines the justice of

¹ See *ante*, page 363.

the general standard. This has frequently happened in the history of local government. In England, the grants out of the Probate Duty and Estate Duty, to take an instance, are distributed according to the shares previously given out of the "discontinued grants." An interesting table was handed in as evidence before the Royal Commission showing the sums received in 1888 and the alterations which would be now necessary if the standard of distribution were brought up to date. In some cases an adjustment of from 55 to 45 per cent. would be called for, in other more stationary localities the change would only involve an alteration equal to '3, '7, or '8 per cent.¹ In Belgium, also, a similar idea was adopted when *octrois* were abolished in 1860. The State handed over the proceeds of certain taxes to the local authorities in accordance with a standard considered equitable at the time. Twenty years later the result was utter confusion.² In France the same state of affairs is said to exist.³

Grants in relief of local taxation in the shape of "dotations" according to fixed standards must be regarded as entirely unsatisfactory. Relief will, in some cases, come to local authorities who urgently require it, and may therefore be properly used and cause no extravagance. But in other cases it will come as a kind of *pourboire* to a local board in easy circumstances and will naturally be squandered. This fact probably explains the very remarkable divergence of opinion on this subject among the witnesses before the Royal Commission. Some witnesses declared most emphatically that in their experience "doles" were no inducement to extravagant expenditure; others protested with equal assurance that in the cases they knew of the receipt of relief was unquestionably conducive to waste. This is completely borne out by German experience. In moving the repeal of the *lex Huene*, after it had been given a trial for seven years, von Miquel said: "It has been discovered that in some districts the result (of the grants) has without doubt been beneficial. In other cases, however, there has not been the same necessity for mitigating the burden of taxation, and this money, flowing in without effort, or sacrifice has been used for schemes for which there was, to say the least, no clamant necessity."

"Subventions," that is to say, grants distributed according to individual necessity, are the only form of imperial relief countenanced by German statesmen as a permanent part of the financial system. Contributions of this kind are regarded as the inevit-

¹ *Evidence*. App. to Vol. I (Part II), page 115.

² Von Reitzenstein, *loc. cit.*

³ Schönberg, *Handbuch*.

able consequence of entrusting local bodies with the performance of national duties. The large expenditure which each extension of the sphere of local duties makes necessary must outrun the capacity of the smaller areas. "Subventions" have the further function of equalising onerous rates from district to district.

A good example of the principle of subvention is found in the provisions for granting relief in aid of expenditure on elementary education in Prussia. The State is there under a general obligation to make good the deficiency which arises if a local authority is too poor to fulfil its duties in this respect.¹ The official instructions lay down no fixed rule for the administration of this relief, but rather explain the grounds to be brought forward by the local authority in applying for aid. In the case of rural authorities the annual value of real property in the district, and the extent to which it is burdened with mortgages and taxation are the leading particulars demanded. Otherwise the superior authority deals with each case on its own merits. This general obligation to grant relief was amplified by the legislation of 1885 and 1889 by which the State bears a proportion of teachers' salaries and pensions, but this relief is given in all cases, and as von Rietzenstein points out, is more like a "dotation" than a "subvention."

Such a method of granting relief presumes detailed inquiry into local circumstances, and this only becomes possible in Germany owing to the wide administrative powers given to "counties"—to use the designation of the widest areas of local government known in England.² In Germany the members of the local authorities "of higher order," as they are called, are to a large extent elected by the lower local bodies out of their own circle and in distributing imperial grants they act as the agents of the exchequer. Being divested of the functions which can be performed by parishes, unions, or towns, the wider areas become more like administrative provinces and form a link between the central government and the subordinate bodies. In fact, they are usually modern creations called forth to control the extensive development of local government.

Both Wagner and Reitzenstein agree that the principal

¹ Schönberg, *Handbuch*. "Kommunales Finanzwesen," § 104.

² For using the word county in this sense, I cite the precedent established by Prof. Bastable (*Pub. Fin.*, Book I, Ch. vii., § 5), but I cannot see any justification for classing the present English counties as "intermediate" local bodies in the French, or German sense, as Prof. Bastable does. Neither the duties nor the administration of a county-council has the remotest similarity with the affairs of a "Department" or a "Kreis."

circumstance which in England prevents the success of imperial subventions is the absence of intermediate bodies between State and local authority in the narrow sense. In Germany, it must be remembered, grants, that is to say "subventions," are by no means regarded as inventions of the devil, as with us. But contributions in aid of local taxation have in England to be given by rote and without any of the graduation of relief according to need which becomes possible with a more carefully regulated scheme of decentralisation. In fact we give our "doles" somewhat after the principle of Mr. Charles Booth's scheme of Old Age Pensions, by which every one was to receive a grant, from Baron Rothschild downwards. Mr. Booth's plan, by its simplicity, would have surmounted many difficulties, yet it never received serious consideration. In a like manner "dotations" by rote are very easily administered, but it is probably worth considering whether the price paid for simplicity is not too high.

The important function of "higher" local authorities in administering imperial subventions adds interest to a passage in the Memorandum submitted by Professor Marshall to the Commission. Professor Marshall is discussing a different point, and is drawing his suggestion from America and Switzerland, but the conclusion is the same: "Possibly we should look for a remedy . . . to the development of three orders of local government—Imperial, Provincial, and Local in the narrower sense; each provincial government having large responsibilities and powers over a . . . wide area."

J. Row-Fogo.

*. * This article was written in December last, before the Report of the Royal Commission on Local Taxation had been published.

REVIEWS

Political Economy. By CHARLES S. DEVAS, M.A. Second Edition. (London: Longmans, Green & Co. 1901. 8vo, xxiii + 662 + xxiv pp.)

MR. DEVAS mentions in his preface that the whole of the ECONOMIC JOURNAL has been published since his first edition appeared. This fact, which has served him as one of his reasons for enlarging and altering his book, may well serve the Journal as a reason for treating the present edition as a new work.

It belongs to the Stonyhurst Philosophical Series, which accounts for the asperity with which the author finds himself obliged to condemn the morality or want of morality of economic liberalism. It is a little disappointing to a reviewer rather desirous of a new sensation to find that there is so very little difference between distinctively Catholic Economics and that of other non-socialist, but philanthropic opponents of "economic liberalism," and that Catholic economic theory seems to include little which has not been taught by some or other well known agnostic. It is difficult to describe the spirit which pervades it, but a rough approximation to a description may perhaps be found in the statement that it always accepts as satisfactory economic changes which are more than a few generations old, but dislikes those of recent times, and teaches that they must be regulated, and in some cases reversed. As it is never more than a few generations behind, it progresses, but occupies the rear and not the van. Catholic theory seems to differ from other conservative theory only in being more thorough, and in its representation of religion as the force which is to prevent economic decay and destruction. The author belongs to

"the *Christian Ethical School*, a part of the revival of Christian philosophy in the second half of the nineteenth century, and whose claim is to possess entire the truth which the other schools or groups possess only in fragments; to be alone consistent with the whole of the observable phenomena, not merely with a part; and to be alone able to give the counsels that are of value for averting the decay and the convulsions that threaten us. For if the Christian family and Christian principles are driven out, two spectres will quickly stand knocking at our doors; one, the disorganised, unhappy, and sterile family; the other, the desperate and unprincipled civil strife for riches and power. And

we can dismiss the objection that it is unscientific to mix up economic discussions with theology. For precisely the questions of how men are to get their living, and of how families and nations are to continue their existence, are inseparably bound up with the moral and religious dispositions of the workers, of the parents, and of the citizens."

The difference, is, of course, by no means unimportant, but it does not much affect the body of economic theory, and so the chief defect of Mr. Devas's work is one which it possesses in common with the whole of the economic text-books of the present generation which do not come either from the ultra individualist or the ultra socialist extremes. This is a complete failure, or perhaps it would be better to say a complete absence of any attempt, to explain how and why human material wants are supplied as well as they are supplied in a modern civilised society. In such a society nobody except a few convicts is directly compelled to work, and yet nearly every one has a roof of some sort, bad or good, over his head at night, every one without exception is clothed and ordinarily receives food. The books take all this for granted: they rush into the middle of it, and point out this or that little piece of beautiful machinery, or this or that nut or screw loose, and leave the student with no clear conception of the whole arrangement, no idea of what the motive power is, or where it and the driving gear are situated. No examiner dare propose to put in a paper the question "Why do we get our breakfasts?" His colleagues would object, and the question would not be attempted by a single candidate so long as any choice remained. But if such a question were asked, we can almost imagine one examinee would say that the milkman brought the milk because it had been from time immemorial the custom for milkmen to take round milk, while another would attribute it to the beneficent establishment by a Conservative Government of the Board of Agriculture. Another would roundly deny that he got any breakfast at all: the so-called milk was all water, the bread sawdust and alum, the tea coloured laurel leaves and so on. Now if it were well understood that every writer of a text-book must put in the forefront of his exposition some general explanation of the motive power and machinery of modern industry, we should, perhaps, have fewer text-books, but we should have much less dispute between opposing schools, and, in practical politics, much less of that blind devotion to theory which constantly obstructs obvious improvements because they do not appear to tend towards some hastily conceived ideal. If any one desires a concrete example of the need for such teaching, let him take the fact that whenever the public want of a thing is acute our present industrial system raises the amount paid to those who bring either capital or labour to its production, and this rise of remuneration increases the product and tends to satisfy the public want. But so ill-instructed is "public opinion" that it almost invariably complains violently of the working of this principle, and does its best in every possible way to obstruct it. It has been so ever since history

begins and doubtless long before, and it is simply a disgrace to economists that it still remains so.

The book contains one or two definite errors in theory which should be pointed out. One is a curious attempt to revive the old exploded "productive" and "unproductive" theory under the new name of "industrial" and "non-industrial." Senior's exposure of the elusive nature of the distinction between making a commodity and altering it when made should long ago have disposed of this theory so far as it was founded on a supposed difference of the kind of work performed, while so far as it was founded on a supposed difference between work done by persons employed for the pecuniary profit of the employer and work done by persons employed for his consumption, it should have been dropped as soon as it was pointed out that this merely depends on whether there is a middle man or not. It is equally absurd to distinguish on the one ground the cook in general from the butcher and to distinguish on the other ground the domestic cook from the hotel or lodging-house cook. Mr. Devas asks "if really the butler and coachman produce an income for their master, why when his income is reduced is he so infatuated as to discharge them?" This is a very easy question, if the person questioned does not mix up, as Mr. Devas seems to have mixed up, real income and money income. Before the reduction of income the master's income consisted of certain things valued say at £900 plus the butler's services valued at £100, total value £1000 per annum. His income being reduced £100 a year means that he must now be content with commodities and service worth £900 a year. He discharges his butler because he thinks his butler's services are the portion of his previous real income which he can best spare. How far from plain fact the old physiocratic fancy can take its adherents is shown when Mr. Devas says "It is the master that feeds the menial, not the menial the master." To feed their master is, as a matter of fact, exactly the function of the butler and the cook, and to say that he feeds them is quite curiously the reverse of truth. We do not know how he becomes entitled to his income. He may become entitled to it because he produces nails or hats or symphonies, or because he owns a ship or a railway share or an opera-house. Generally through myriads of other exchanges his services to production are exchanged for (among other things) the services of his butler and his cook, and there is not the smallest ground for representing them as depending on him any more than he depends upon them.

Another bad slip occurs in relation to token coinage. The old and quite groundless view is here put forward that the value of token coins is kept up by limitation of the amount for which they are legal tender. Mr. Devas evidently has not followed recent currency controversies closely, or he would have remembered that the legal tender limit does not exist in relation to a vast amount of non-standard currency in France, Germany, the United States, and India, and that it is absolutely

inoperative in England. It is now a commonplace that what keeps tokens above their metallic and workmanship value is the facts that they are wanted for currency and that the mint has a monopoly of their production. Twenty shillings exchange for a sovereign not because forty-one are not legal tender for £2 1s., but because the mint will not make twenty shillings for less than a sovereign, and the Law Courts deal severely with people who endeavour to infringe its monopoly.

The book contains, as will have been suggested by the passage quoted above, a vigorous protest against neo-Malthusianism, and whatever may be the judgment with regard to the moral and physiological aspect of the question no economist with any knowledge of statistics will deny that there is great danger of the diminution of births going too far, as it certainly seems to have done in Australia and New Zealand. The difficulty is to decide what should be the remedy where this happens. The return to orthodox religion recommended by Mr. Devas is easier talked of than effected, and is it not the case that Catholicism has fought the fight in France and has been defeated? We should feel more confidence in it as a remedy for this and other economic evils if Mr. Devas could point to many great countries where high economic prosperity accompanies Catholicism at the present time.

EDWIN CANNAN

The Place of Compensation in Temperance Reform. By C. P. SANGER, M.A. (London: P. S. King and Son. 1901. Pp. 135.)

MR. SANGER is to be congratulated on the opportune publication of this short, closely reasoned, and dispassionate essay on a subject which has long been a bone of contention between "The Trade" and the more advanced temperance reformers, and to which public attention has recently been called by the discussions on the conflicting Reports of the Royal Commission on Licensing Laws. It will be remembered that both the Majority and Minority Reports agreed, though for somewhat different reasons, that the number of houses licensed for the sale of intoxicating liquors in England is excessive and should be reduced. Both Reports recommend that some compensation should be given to the holders of the suppressed licences, and that this compensation should be obtained by charges on the remaining houses. But whereas the Majority Report recommends full compensation based on market values, the Minority Report, after a lengthy argument to show that there can be, "in strict justice, no claim to compensation," proceeds to suggest a partial compensation not to exceed seven times the rateable value of the house, a sum which Mr. Sanger estimates at about one third of the real value (at least that seems to be the meaning of a somewhat enigmatic sentence on p. 93).

Mr. Sanger has no difficulty in demolishing the loosely worded argument of the Minority Report against compensation, and fairly

shows that market value is the only basis on which any scheme can be founded. There is, of course, no question of *legal* right. *Sharp v. Wakefield* has made it clear that the renewal of a licence may at any time be refused, though the refusal is subject to strict conditions (see *Evans v. Justices of Conway*, 2 Q.B. 1900, p. 224). But Mr. Sanger makes it no less clear that under the existing law the prospect of renewal approximates to certainty, and whatever risk there may be is already discounted in the market value, so that such a change in the law as would cause a large reduction of licences, whether immediately or in the near future, would be just such an interference with reasonable expectation as to create a *prima facie* case for compensation, following the analogy of a long line of precedents. Mr. Sanger's analysis of these precedents, and his clear exposition of the real meaning of the much-abused words "vested interests," seem the most valuable part of his little book. His final conclusions are (1) that compensation should be given; (2) that it should be full compensation, save in so far as the value of the licence is enhanced by profits made from drunkenness; (3) that the sum required should be raised from the increased value of the remaining licences as far as such increase allows, and the balance from the general revenue of the country, though the amount of money required may of course be indefinitely reduced by assigning a distant date for the suppression of the licences. Mr. Sanger's argument that the community at large should pay for abolishing a certain class of property, if it wants to do so, seems unanswerable, but it is not probable that public opinion will permit such payment. On the other hand, it is difficult to see what practical advantage Mr. Sanger hopes to gain by introducing (p. 116) Sidgwick's principle that the value compensated should be only that of such rights as are "exercised in the more moral but less profitable way." He admits that it is hard to say what part of the market value is due to "profits made from drunkenness." The difficulty in fact is insuperable, and probably the amount at stake is not large. If and when it is possible to prove against a publican the serving of drunken persons, the present licensing authorities are able and willing to refuse to renew the licence. How does Mr. Sanger propose to carry the point further?

One other criticism may be permitted. On page 103 a second quotation from Sidgwick's *Politics* points out the theoretical distinction "between the extra element of value given by the limitation of competition that results from the licensing system, and what would have been the value of the business if no such limitation had existed." Sidgwick goes on to say that he "can see no legitimacy in a claim to be compensated for the additional element of value due to the governmental limitation of competition." Now the greater part of the value of the more important licences is no doubt due to that very factor, and in fact that is the chief question at issue. But Mr. Sanger makes no comment on the quotation, though in his next section he proceeds to adopt the opposite point of view. Surely there is no need to leave

this handle to the enemy. But perhaps our author thinks that he has already sufficiently, though only implicitly, met this objection. Certainly it is hard to understand how any candid and unprejudiced reader can leave Mr. Sanger's book without agreeing that it is, to say the least, *expedient* to offer adequate compensation if we wish to effect any considerable reduction in the number of licensed houses. Until our temperance reformers get thus far we shall not get out of the present *impasse*. This book is commended to their attention, and to that of all students of a difficult problem which presses for solution.

C. H. DENYER

Italy To-day. By BOLTON KING and THOMAS OKEY. (London : James Nisbet & Co. 1901. 8vo, pp. xii. 365.)

THIS book belongs to a class of which it would not be easy to exaggerate the value or interest. The careful study by informed Englishmen of the conditions and institutions of other countries is a work which should awaken as much gratitude in the readers as it demands from the writers a combination of diligence, exactitude and judicial discrimination. The authors of the book before us have, we think, brought to its composition an adequate measure of these qualities, and, as a result, have produced, in a reasonable compass, an account of contemporary Italy, which is at once readable and instructive. A larger example of such books has lately been supplied by Mr. Bodley's *France*, and an earlier and more considerable instance is Mr. Bryce's *American Commonwealth*, while a notable gap remains to be filled by an account of the modern Germany which has arisen since 1870. If Mr. King and Mr. Okey have planned their work on a more modest scale than that adopted in either of the books we have mentioned, they have, on the other hand, dealt with a country not less interesting to Englishmen. It was a true observation of Mark Pattison that the "unhappy gift of beauty, which has attracted the spoiler of all ages to the Italian peninsula, has ever exerted, and still exerts, a magnetic force on every cultivated mind." The host of English travellers drawn to Italy will be glad to learn something of its political and economic condition, and they may on that account forgive the authors of this book for suggesting that a further sacrifice of the beauties of the falls of Tivoli might enable Rome, by the electricity obtained, to become a great industrial centre. There is another reason for the interest of Englishmen in Italy. It is true that the writers of this volume state that "the old sentimental attachment to the England of Palmerston and Gladstone and Victoria is dying out" among the Italians. They may even be correct in asserting that "a very strong resentment is now shown" in Italy "against our South African policy." And yet, until recently, one of the pleasures of travel in that country was the sense, whatever its real or sentimental basis might be, that the dislike or hatred of England, which other European nations took no pains to conceal, was replaced here by a warm feeling of enduring friendship.

The final chapter on Italian literature contained in the book will not concern the readers of the *ECONOMIC JOURNAL*. Nor indeed would they be directly interested in the political chapters, in which the position of parties is reviewed, and the *pros* and *cons* of the Triple Alliance are weighed, were it not that politics in Italy are so closely mingled with economics, that the general poverty of the people is the most conspicuous feature of Italian life, that the pressure of taxation is the most obvious and potent cause of that poverty, and that finance is, in consequence, the most serious and pressing problem which Italian statesmanship is required to handle. Even the quarrel between Church and State, which seems almost incapable of resolution on terms of mutual satisfaction, finds an economic side in the efforts of Catholic Socialism to secure the support of the people. The authors of this book do not take a pessimistic attitude on this perplexing question; for they think that the moderate men of either party are not far removed from a possible compromise. Indeed, in spite of much in modern Italy, which is calculated to cause despair, the general tone of the book may be termed optimistic. Against the notorious corruption of politics may be set the influence of the Socialist party, which, the authors believe, desires a pure and honest administration. Against the grinding poverty of the labourer may be set the industrial revival, which has characterised the last two or three years, and the remarkable development of some forms of co-operation. The state of education may still be deplorable, and the interest taken in its improvement small. Taxation, whether local or imperial, may be crushing in its weight; and its incidence, conflicting with equity, may press unduly on the poorer part of the population. The expenditure upon public works may be attended by considerable waste and corruption, and by a "magnificence" which the nation can ill afford. In disposition to work, in capacity for enterprise, in general moral character, the South may seem irreconcilably different from the North. And yet more encouraging facts must be considered in forming a complete estimate of the whole situation. In South America—in Brazil and, more especially, in Argentina—a new Italy is growing. The large flood of Italian emigration poured into these countries, unlike that which finds its way to the United States, carries a number of Italians to positions of influence and wealth. They do not, it is true, show any desire, such as that evinced by British colonists, to preserve a connection with the mother country; but they exhibit, under favouring circumstances, the virtues of energy and enterprise, industry and ability, which the North Italian, at any rate, possesses, and they promise to become a very important element of the population of the New World in the new century. In Italy itself a healthy tendency is increasing to restrain within due limits expenditure on the army; and the reduction of interest on the debt has become more feasible with the rise in the price of the funds, and the fall in the premium on gold, which have latterly occurred. The secret of economic progress is to be found largely in successful finance,

and the magnitude of the debt is in no small measure the cause, or excuse, of the crippling weight of taxation.

If the authors of *Italy To-day* exhibit a bias, it is in their judgment of the socialistic party; and yet on the facts, which they bring forward, it is hardly possible to declare that they are wrong. "The very rapid growth of Socialism," they remark, "its appearance as a Parliamentary party, its absorption of much of what is best in national life and thought, is the master-fact of Italian politics to-day." "A movement that barely existed ten years ago, is now the most living force; and its enthusiasm, its ability, its capacity of adaptation, are proofs of the political genius that is potent still in Italy." This is emphatic language; but it must be remembered that the Socialists of Italy, like the Social Democrats of Germany, combine with a comprehensiveness of theory repugnant to the English temper a programme of practical reform, which aims at little more than what in England has been, for long, accomplished fact. Italian Socialists have parted company from Anarchists. They have exchanged the rigid exclusiveness of the Marxite doctrine, which itself was "evolutionary" rather than "revolutionary," but objected to anything favouring the small proprietor or farmer, for a policy enlisting the support of that class, and advocating co-operation in the form of those *village banks*, which have been so successful in Italy, but were once disapproved by the Socialists. They have entered into active alliance with Radicals and Republicans, and thus "become the advanced wing of a great Parliamentary party, and stand out as the champions of constitutional right and of a very practical political and social programme." "The abolition of the corn duty, the consolidation of political liberty, the reform of the magistrature, is the programme of Signor Ferrero, the Socialist writer. The abolition of the corn duty, the reduction of the price of salt, safeguards for personal liberty against police abuses, is the almost identical programme of Signor Pantaleoni, the Radical Deputy," well-known to the readers of this Journal as a distinguished economist. The "minimum programme" of the party, which dates from 1895, is one, as the eminent historian Professor Villari declared, "that every sensible man could endorse almost in its entirety;" and it has been altered more recently in a more moderate direction. On its economic side, for example, it "includes improved factory legislation for women and children, the prohibition of night work except in cases of public necessity, a normal thirty-six hours' rest once a week, reform of the laws on Accidents, Insurance and Old Age Pensions, compulsory insurance against sickness, the encouragement of arbitration in labour disputes, admission of co-operative societies to contract on equal terms for public works, the reform of the laws between landlord and tenant, a Ministry of labour, the nationalisation of railways and mines, which are to be worked by co-operative associations or by the State." Of these reforms the last is the only proposal which could be called "revolutionary"; and "the eight-hours day and minimum wage,

which appeared in earlier editions," have now "disappeared." With such a programme, it is not surprising to learn that "many of the leaders of Italian thought are avowedly Socialists," that others belong to the "Extreme Left," of which the Socialists form the "advanced wing," that, while the party is at its strongest in the North, especially among the more prosperous industrial artisans, its influence is spreading in the unprogressive South, and among the agricultural classes, and that it has become a powerful Parliamentary force, allied with Radicals and Republicans.

This alliance was cemented by community of suffering from the repressive legislation, which followed the Milan riots of May, 1898. The authors of this book pronounce a severe judgment on the authorities for their action at that time. They maintain that they magnified, by precipitate, unwise conduct, what was in its origin a street disturbance, bearing no evidence of concerted movement or premeditated violence, into a revolution. They invoked, after crushing the riots by unnecessary bloodshed, severe indiscriminate methods of repression, prohibiting freedom of discussion, and assailing individual liberty, with hardly less rigour and cruelty than that with which Crispi had coerced the Sicilians four or five years before. The Milan riots themselves had been preceded by riots in the South, the undoubted cause of which was the misery of the poor, and the chief objects of attack were either the corn-dealers, who were thought responsible for the rise in the price of bread, or the Syndics and Communal Councils, which had placed the municipal duty on flour, or withheld from the poor their part in the communal lands. In Milan itself there was far less misery; but there was also a keener appreciation of the evils, which beset the country, and of the misgovernment, which appeared to be largely responsible. The loss of trade, following the commercial quarrel with France, affected the lower middle class as the duty on corn burdened the poor. "Italy seemed to have accumulated all the economic evils that bad government could bring—heavy taxes, high tariffs, a depreciated currency, adverse exchanges." And, to add to these troubles, confidence had been shaken in the honesty and capacity of the Government. This was due partly to the scandals connected with the bank failures, partly to the countenance by the authorities of the terrorism exerted by the Camorra in Naples or the Mafia in Sicily, and partly to the corrupt inefficient administration of public duties generally. There were reasons enough for a revolution; and the hopes of reform, aroused when the Abyssinian disaster occasioned the fall of Crispi, met with disappointment, or faint encouragement. And yet, but for official mismanagement, the authors of this book hold that no disturbance of a dangerous character would have occurred. They believe, on the whole, that the riots, lamentable as their immediate consequences became with the injudicious handling of the authorities, had the beneficial result of "clearing the air." They "created a plain issue between progress and reaction." The obstruction offered in the following year by the Extreme Left in

Parliament to General Pelloux's bill, empowering the Prefects or the police to forbid meetings in the open air or in public places, and the Government to suppress associations aiming by overt acts at the subversion of social order or the constitution, though for the moment unsuccessful, gained in the end the object for which it was intended. The accession of the new King, in spite of the criminal act, by which it was occasioned, opened a new period of Italian politics, in which social and economic progress may be expected with greater confidence.

We have quoted the judgment pronounced by the authors of this book on the Socialist party to furnish the necessary material for framing an estimate of the bias, by which they may, or may not, have been influenced, and to show how closely Italian politics are connected with economic considerations. This connection may be regarded as the main thesis of the book; and, if the writers are misled in their reading of the position and aims of the Socialist party, or their interpretation of the significance of the riots at Milan, or their judgment on the conduct of the Government before and after, it appears probable that they may unconsciously have coloured too darkly in some places, and too brightly in others, the picture they have drawn of modern Italy. We think that they are substantially correct, and it would not be easy to dispute their facts, which often rest on statistical evidence. It is impossible, for example, to question the statement that "the wealth of Italy is pitifully small by the standard of Western Europe." An income, calculated at some £7 per head, compares unfavourably with the £31 of Great Britain, the £26 of France, and the £17 of Prussia. The rates of salaries and of wages are low. Of the former the authors supply several illustrative examples; in the case of the latter, the wages of boiler-makers, masons and carpenters, of agricultural labourers, and of women in textile mills, are less than half what they are in England. Hours of labour are long. The food consumed by the mass of the people is small in amount. Meat is rarely seen. Even the "quantity of cereals" eaten is "abnormally low"; and, in spite of a large use of vegetables and fruit, and of the admitted industry and capacity of the Italian navy, who has made many of the railways of Europe, and constructed all the great tunnels which cross the Alps, the "typical Italian is underfed."

Italy, again, it is calculated, "pays a higher percentage of its income in taxes than any of the larger European States except Spain." On the poor the burden falls most heavily. The pressure of indirect taxation, local and imperial, is great; and workmen "earning daily wages between 2s. and 2s. 9½d. have, with doubtful legality, been compelled to pay income-tax," while the small farmer and proprietor pay income-tax, even when no profit is made, a succession duty on the same scale as the larger men, and land-tax and rates, which on the average amount to a fifth or a quarter of the net profit of the farm. In consequence of the general character of the scheme of taxation, and of the defective machinery employed for its collection, allowing opportunity

for unfair assessment or for positive fraud on the revenue, the richer classes escape more easily. The authors observe that "well has it been said that Italy is the best country for the rich man and the worst for the poor." In this respect the local communes copy the State. Their main sources of income are a tax on lands and buildings similar to our rates, and duties on food and other articles; and the criterion of good finance is the proportion observed between the two. For, while the first is comparatively free from objection, the second press with crushing weight on the poor. Municipal progress is slow save in the North. Personalty hardly contributes to local revenue, for the grants-in-aid made by the State are scarcely "appreciable," while it is unduly prone to appropriate for its own use sources of communal income, and the same powers are given to, and the same restrictions imposed on, almost every commune, whether it be great like Milan, or small like some Alpine village.

Finance, accordingly, is the crux of Italian statesmanship, and it is on the feasibility and reality of financial reform that economic progress hinges, and the removal of the grievances of the poor depends. So far as central finance is concerned, the main portion of the burden consists of the National Debt. "But for her national debt Italy would be lightly taxed." This debt is due to the reckless finance of the past. In 1899 its total amounted to more than five hundred millions of pounds, and the annual charge to some twenty-seven and a-half millions. A considerable portion, it is true, has been incurred for works, either directly or indirectly productive, such as railways, roads, canals and ports. But much of this has been wasted, and no small part has gone in political bribery. The curse of "megalo-mania," which is not confined to the central government, has left enduring evidence in unnecessarily magnificent buildings. For a large amount of the debt, however, the military and colonial policy of the country is responsible. Yet it is by no means easy to see how the financial difficulty can be satisfactorily met. As the revenue is inelastic, reduction of expenditure is the only alternative. But opportunities for economy are not very obvious. The expense of collection must continue to be heavy unless the whole system is changed. Unnecessary public works may indeed be abandoned, but others of undoubted necessity, such as reclaiming land at present waste, will take their place. "Money is needed to fight malaria, to stamp out phylloxera, and the olive pest, to cheapen postal rates, to improve the consular service, to protect emigrants, to make grants-in-aid to communes, that will enable them to carry out their educational and sanitary duties, and compensate them for the abolition of the local duties on food." The civil service is certainly overmanned, but it is no less certainly underpaid; and, while the decennial census of 1891 could not be afforded, not a single national library is "up to date." It is then in the cost of the army and navy, or of the public debt, that any "substantial economy" must be effected. The maintenance of the fleet is regarded as indispensable; but

expenditure on the army has been the subject of persistent, and not altogether unsuccessful, assault, and there is a possibility that the Triple Alliance, which, indirectly at least, has tended to encourage the increase of soldiers, may not be renewed in 1903. The conversion of the debt, again, will be rendered more feasible by a rise in the price of the funds and a fall in the premium on gold, and some signs of improvement in both these respects have recently been manifest.

Even the financial situation, accordingly, perplexing as it may seem, is not incapable of improvement, and the authors do not neglect to notice other encouraging symptoms in the economic condition. "There is, in fact," they observe, "every sign that Italy is at the commencement of a remarkable industrial expansion." In silk, "her most important industry," there has been notable progress during the last two or three years, both in the spinning and in the weaving branches. The cotton industry, though "younger and much smaller," "is developing even more rapidly." The wool industry, the "least important of the textiles," "shows the same expansion." "The metal industries are almost equally prosperous." The difficulties which have hindered development in the past are being overcome, so far as they lie within the range of individual effort. Heavy taxation and distance from the markets of raw material are indeed outside these limits. But the want of technical knowledge is "already nearly a thing of the past," the want of capital is gradually disappearing, as it is supplied from Italian and foreign sources, and the want of coal may not impossibly be met by the stores of electricity contained in the rivers. "On a general view it seems probable that Italy will soon become a very considerable competitor in the international market in all kinds of yarns and textiles, in electrical machinery, in motor-engines and boilers, perhaps in chemicals and furniture. Her rivers will do for her much of what coal has done for England. Her artisans bid fair to be the equal of any. Her splendid harbours, her large seafaring population, her proximity to the Suez Canal, the great market open for her among the Italian populations of South America, promise a great commercial expansion. Her manufacturers are doing what they can. It lies with the Government to do the rest—to reduce taxation, to attract capital, to improve and cheapen railway transport. There are observers who believe that Italy will, in the future, be more an industrial than an agricultural country."

At the present time, however, she is "mainly agricultural," and she is "naturally not a fertile country." "But the accumulated labour of industrious generations has made mountain side and sandy plain smile with fertility." The "varying climate and altitude of the country allow a rich diversity of produce." Wheat, maize, and other cereals, the vine and the olive, are the most important crops; and there is room for great improvement in the modes of raising and marketing these. Malaria, hail, and drought are the most formidable enemies of successful agriculture; but for the first a temporary remedy has now

been found, which promises great results, and it has long been known that much may be accomplished by drainage. For the third evil irrigation, and, in a more marked degree, afforestation, are effectual cures; and for the second the experiment of discharging cannon has been found successful. But "perhaps the most promising branches of Italian agriculture"—dairy and poultry produce, of which the exports have "doubled or more than doubled in the last ten years"—owe their development, not to that governmental action, which might, to a great extent, had it the funds available, combat malaria and drought, but to private enterprise and independent, though associated, initiative. The rapid spread of co-operative dairies and the wonderful development of co-operative banking have wrought a striking change in some districts of agricultural Italy, and raised even the peasant from "indigence" to "comparative prosperity." The common condition of the poorer agriculturist, whether he be labourer or farmer, remains indeed at a low standard, though the metayers, "where the system obtains in its purer form, are the most prosperous and contented section of the Italian peasantry." But even in agriculture "there is a revival, almost as notable as that which has awakened the country's industry to new life." Such is the general character of the conclusion reached by Mr. King and Mr. Okey; and for the details on which it is based we must refer our readers to their interesting pages. We are sure that they will not regret our advice to study with attention the economic chapters, of which there are many, contained in this book.

L. L. PRICE

Outlines of Economics. By RICHARD T. ELY, Ph.D., LL.D.,
Professor of Economics, &c., in the University of Wisconsin.
(New York: The Macmillan Co. 1900. Pp. 432.)

It is difficult for any one to estimate the usefulness of a book that "is intended primarily for colleges" without having put it to a practical test, and made it a text-book in the actual teaching of economics. It therefore seems better in the present case to describe rather than to criticise Professor Ely's work. It does not, of course, pretend to be a full treatise upon economics, and its end is achieved if it is suggestive and stimulating enough to lead the student on to make use of the bibliography appended to it, and the lists of books that are given at the conclusion of the separate chapters. Book I. contains a historical introduction; Book II., under the head of "private economics," deals with production, transfers of goods (but not international trade), distribution and consumption; Book III. is entitled "Public Economics," and discusses public industry, the relation of the state to private enterprise, public expenditures, and public revenues; Book IV. sketches the development of economics, and there are appendices containing subjects for essays, discussions and debates, courses of reading, and a bibliography. The most interesting part of the book on private

economics is that which deals with transfers of goods. Though there is necessarily much that is scrappy and incomplete, as, for example, in the remarks upon bimetallism, the greater part of the discussion is conducted in a way that holds the attention. It is, if the term may be permitted, dynamic in character, and written from the point of view of one who is advancing towards a conclusion, rather than from that of one who has already reached it, and has half forgotten the difficulties of the ground he has had to traverse. Professor Ely's discussion of value and utility affords a good illustration of this method, and, though perhaps it does not sufficiently bring out the mutual interaction of the forces of demand and supply, it could not fail to stimulate a student to think for himself.

Throughout the book, especially in the parts devoted to consumption and to public economics, there is a good deal that might be described as discussions of individual and political ethics, rather than as economics. But the close relation with the practical problems of life, into which Professor Ely brings his sketch of pure theory, though it would be undesirable in a standard treatise, has the advantage of increasing the interest with which students beginning the subject are likely to regard the "dismal science."

A. C. PIGOU

Die Zukunft der Sozialen Frage. Von DR. GEORG ADLER.
(Jena: Fischer. 1900.)

In this interesting pamphlet, based on a course of public lectures, Dr. Adler discusses the social tendencies of the present time, and attempts to indicate the direction of their future development. His treatment of the subject is fresh and eminently suggestive.

The first section sketches briefly the broad lines which the improvement in the condition of the working classes has followed in the modern industrial state. Statistics relating to income and cost of living in the various states of Germany are quoted.

In the second section, Dr. Adler arrives at the most interesting part of his discussion, the ideals of the working classes, and the significance of illusions in the further development of the social movement. Why have the workers of almost every country always pursued unrealizable, social utopias, instead of combining to strive for social and political reforms which were attainable? Because, answers Dr. Adler, such illusions have always been necessary in the early stages of every movement. It is they which inspire every great change, and give the impulse to advance. To shake a people out of its apathy and indifference, it is necessary that their minds shall be inflamed by some golden vision quite other than the sober representation of an attainable good. Such illusions, which have played a part in the history of civilization, are to be judged not so much for their reasonableness or unreasonableness, but rather according to their results. The question to be asked is whether in the atmosphere of these illusory ideas the

life of a people has advanced or declined. All theories of socialism judged on their own merits are but vain dreams. Socialism is not practicable, but if it were it would mark a lower stage in the course of evolution in eliminating the principle of natural selection. But although such doctrines, when examined critically, are found to be nests of fallacies, yet they have been necessary to all reform in the condition of the working classes. In every country the first movements of the workers have been connected with theories of socialism, which held out to them promises of an ideal future. The lower classes were at that time on too low an intellectual level, and were too wanting in all political discipline to be able to dispense with such a vision. It was socialism which set in motion the organization of the working classes. Dr. Adler sketches the early socialistic movements in England, France, and Germany, and their effect in stimulating social reform. Only in England has the movement reached the stage when it is able to dispense with socialistic illusions. Their support is there no longer needed. In Germany the persistence of the social democratic party constitutes a serious danger to the advance of reform. The doctrines of Marx which were once a necessary condition for the development of the people are now a hindrance to their further progress. But signs are not wanting that these illusions are weakening their hold on the German working class.

The third section deals with the future of the social problem. The tendencies of the social movement show, says Dr. Adler, that the middle classes will remain the main political and social factors in the state. They have shown themselves to be the most intelligent part of the community, and capable of carrying out extensive political and economic reforms. On the other hand, the working classes, in obtaining the recognition of their position in the community, will gain the satisfaction of their physical and moral needs. Their condition will continue to improve, and their political power continue to grow. Both middle and working classes will find a common interest of vital importance in the growth of capitalistic production, which necessitates national expansion. Recognizing that their position and welfare depends on the political and capitalistic strength of the nation, they will find it to their interest to defend both. At present such a condition of things obtains only in England, although in Germany similar currents are beginning to be felt. The social state of the future will be characterized by universal individualistic competition, restrained by social ideas.

MARGRIETA BEER

Die gesellschaftliche und wirthschaftliche Entwicklung in Japan. Von TOKUZO FUKUDA. (Stuttgart: Cotta. 1900.)

In the *Social and Economic Development in Japan*, one of the series of economic studies edited by Brentano and Lotz, Dr. Fukuda traces the history of Japan from the earliest times. As his main interest lies

in the philosophic side of his subject, he is mainly occupied with the earlier periods, in which he attempts to trace to their origin some of the root-ideas on which Japanese customs and institutions are based, even when outwardly moulded by foreign imitation. His subject falls into four periods: (1) the earliest recorded times to 645 A.D.; (2) the imperial period, 645—930; (3) the feudal period, 931—1602, and (4) the despotic period, 1603—1867. The history of Japan after the revolution of 1867, and its indiscriminate imitation of Europe, is barely entered upon. It is Japan, as she evolved in almost complete isolation, which is here considered.

The chief occupation of the people in early times was agriculture. The cultivation of rice, which was the chief article of consumption, dates back to time immemorial.

To the earliest period is traced the origins of ancestor-worship, an idea which has influenced the people profoundly, and which survives in various forms to the present day. Throughout the whole of Japanese history Dr. Fukuda traces it, forming or modifying every institution and custom. The earliest organisation of the people was into groups of families, or Uji. These were subdivided into smaller groups, or sub-Uji, and these again into families, or Ko. The family, not the individual, was the social unit, economically and politically. The head of each house possessed patriarchal powers, being regarded as the direct descendant and representative of his first ancestor. Each Uji had thus its own ancestral god, which it worshipped through the mediation of the head of the family. The Emperor's power was at first exercised only over his own house, but extended in time out of his character as high priest and chief general.

The group of families constituting a sub-Uji followed the same occupation, which was hereditary. Free choice of occupation on the part of families or individuals was impossible. Land was owned in common by the Uji and the produce divided among the several families according to the number of heads.

Rapid increase of the population, and constant intercourse with China and Korea, both of which possessed a comparatively advanced civilisation, led to the breaking up of this primitive organisation, and the dominion of the Emperors for several centuries. This change, which was carried out in the Taikwa reform of 646, shows many points of similarity with the revolution of 1867. It imitated Chinese institutions as directly as that of 1867 imitated European ones. Chinese was adopted as the official language. Chinese philosophy was taught. Land which had belonged to the Uji was now declared to be the possession of the Emperor. It was farmed by single families, who paid rent out of the produce. A new legal system was established, and the Taiho code, the only comprehensive codification known to Japan until our own days, was worked out. It remained in operation from the 7th to the 19th century. This code determined the association of families into groups, for purposes of administration, for which China again served as a

model. The distribution of the land, as fixed by the Taiho code, took place every six years. Every male over five years of age received one portion, every female received two-thirds of a male share. Such land was held for life. Poor soil, which could only be sown every other year, was distributed in double portions. The imperial dues were at first 3 to 5 per cent. of the produce. These gradually rose, until in the feudal age they reached 50 to 60 per cent. The father of the family disposed of the produce of the land, and had absolute control over its cultivation. The power of the Emperors was broken down in a period of anarchy and civil war, and the feudal system developed on much the same lines as in Europe. An important class distinction grew up between farmer and soldier. The farmer had formerly ploughed his field or marched to battle as occasion called. But now large bands of professional soldiers gathered round the great feudal lords, and these formed a privileged class. Most of the large towns had their origin now, in the groups which gathered round the great castles. The feudal lords encouraged their development, which rendered them the more independent. Trade guilds were established, membership of which was for long hereditary. Industrial existence outside a guild was impossible. A law of 1513 forbade the practice of silk-weaving to non-members of the guild, under penalty of death. The system of apprenticeship was very complete. Commercial relations were maintained with China and Korea. Fine woven goods, matting, and copper coin were imported. Rice was the staple article of export. The first relations with Europeans were in 1541, when the Portuguese landed and attempted to carry on trade with the inhabitants.

The end of the sixteenth century was a critical time in the history of Japan. New ideals were making themselves felt. Various parties were once more striving for supremacy. The office of Shogun, formerly the supreme position in the State, was now sunk to a merely nominal headship, but in the hands of the Tokugawa family it once more regained predominance. Under their rule Japan became the most typical example of the isolated and absolute State. They attempted to centralise all the various activities of the State. To this end the fallen dignity of the Emperor was propped up, but the aim of the Tokugawa policy was to secure permanently the power to their own house. The feudal chiefs were deprived of all real authority. The influence of China was again most marked under the new *régime*. The Academy was founded, in which the philosophy of Confucius was revived. Science and art were actively encouraged. Beautiful examples of the architecture of this period survive. Painting, wood and ivory carving, book illustration, porcelain manufacture, and metal work reached a high stage of development. Weaving and dyeing of silk stuffs and the manufacture of paper were perfected. Roads and bridges were built. The sugar cane was cultivated generally, and much attention was devoted to the cultivation of the soil. Meanwhile all intercourse with the outside world was strongly discouraged. The introduction of foreign customs or products was strictly prohibited. A series of

decrees during the next two centuries attempted to completely isolate Japan. In 1641 the Dutch, the only Europeans who had been granted commercial privileges, were forced to quit Hirato, and to occupy the little island Dejuna. In 1685 the export of silver was strictly limited to a given amount for the Dutch trade. In 1715 the export of copper was limited, and the number of Dutch vessels admitted into their harbours limited to two per annum. In 1752 the export of gold was prohibited. After 1790 the export of silver was further restricted, and only one vessel permitted to enter each year. The trade with China was similarly restricted.

The population outside the towns lived in village communities, with a president at the head, whose main function consisted in the collection and payment of dues to the Shogun. The community was divided into associations of five families, united for purposes of mutual support, with an elected head, who represented the association. These groups, bound together by the simple tie of proximity, for they were grouped according to locality, extended over the whole country, even to the towns. Here they assumed their chief importance in connection with the trade guilds. In accordance with the general tendency these were assuming more and more the nature of monopolies. In 1813 it was forbidden to admit new members, and membership might only be bequeathed to blood-relations. Their struggle for existence became keener and keener. At last in 1841 the whole system of guilds was declared at an end and all industry free. As this, however, did not result in the expected fall in prices, in 1851 the guilds were once more established, only to be finally swept away after the revolution of 1867. A rigidly exclusive organisation also existed among the merchants who imported goods from China and Holland. Changes within the state were gradually taking place. The relations of the soldier class to the industrial class was changing. The latter no longer held the subservient position of former times. A middle-class was feeling its way, and asserting itself. The population during these two and a half centuries of unbroken peace, had rapidly increased, while methods of cultivation of the soil made little progress. After 1833 there was a succession of bad harvests, and the price of rice rose enormously. The grasp of the government on the various activities of the country was weakening. So rotten was the whole organisation that it needed but a touch from without to level the whole fabric. This impulse came with the arrival of the Americans under Perry in 1853. A series of treaties with European countries followed. In 1867 the house of Tokugawa was dethroned from its supreme position, and the Emperor proclaimed actual ruler of the country. Dr. Fukuda enters upon the subsequent period only to point out briefly the forms in which the national ideas still survive, in spite of their indiscriminate imitation of all things European. The conception of the family as the social unit is still a real one. The patriarchal authority of the paterfamilias still persists. The individual

is as yet hardly conceived as an independent unit. Ancestor-worship still forms the basis for their religious conceptions. In spite, too, of all innovations the strict law of inheritance of the eldest son continues, for the continuity of the family is their moving principle. The development towards individualism is more marked from the economic than from the social point of view.

MARGRIETA BEER

Le Développement Économique et Social du Japon. ("Chronique du Musée Social." March, 1901.)

In the "Economic and Social development of Japan," an article in the March number of the *Musée Social*, M. André Siegfried, gives an interesting account of the economic conditions in Japan at the present day. He first sketches the political conditions. In 1869 the Emperor promised the people a Parliament. He assured them "that the principles of political economy should be diligently studied, and the absurd customs of former days abolished." After twenty years of study and research the constitution was promulgated in 1889, modelled on that of Prussia. Two assemblies were formed, one aristocratic, the other representative. Practically, however, the political condition of the people was little changed, for the suffrage was granted on a very limited scale, and only affected the middle class. The real power still lies with the great feudal families.

The economic development of Japan has proceeded on an enormous scale, especially marked after the Chinese war. Since 1893 her exports and imports have more than doubled. The efforts of the country are devoted almost entirely to the development of commerce and industry. Railways are rapidly intersecting the country.

M. Siegfried traces the development of one industry, that of cotton-spinning, as a typical example of what has taken place in numerous others. The first spinning mill was established in 1865 with 6,000 spindles. Another was set up in 1880. In 1899 there were 80 mills with 1,130,273 spindles. These are well organised, and fitted with the best machinery. Production proceeded at such a pace that a crisis resulted in 1898, which had the effect of stimulating the export trade with China and Korea.

This economic transformation has resulted in the growth of a large working class. No factory legislation exists. No limit is set to the hours of labour, nor to the employment of women and children. In spinning mills, where the majority of workers are girls of from 15 to 20 years of age, the hours are eleven, on night and day work alternately. These girls are usually engaged by contract for three years, and earn 37 to 50 centimes per day. They are boarded and lodged at the works, for which 15 to 17 centimes are deducted from their wages. One to two thousand girls are frequently lodged at one mill in this way.

The most serious abuse is the employment of children. They begin work at the age of 6 to 8 years, and work 8 hours, earning usually 25 centimes per day.

Male factory workers earn about 1 fr. 25 c. per day, women 62 centimes, girls 50 centimes, and children 12 to 25 centimes. Before the Chinese war wages were about 45 per cent. lower, but the cost of living has since then increased 50 to 60 per cent. The more skilled workers in various trades are making tentative efforts at organisation, though not as yet with much success.

The labour laws of other countries are being studied by the Government, and some proposals have been drawn up, but nothing has as yet been effected.

MARGRIETA BEER

Il Capitalismo e la Scienza. A. LORIA. (Torino: Bocca. 1901. Pp. 265. Lire 3.50.)

La Sociologia: il suo compito, le sue senole, i suoi recenti progrezi. A. LORIA. (Padova: Drucker. 1901. Pp. 192. Lire 2.)

THE first of these books was intended to meet objections raised from different quarters against Professor Loria's greater works¹ in which he expounds the now well-known theory of free land (*terra libera*)—the keystone of his most ingenuous and suggestive economic and sociological doctrines—and applies it to the interpretation of social-economic organisation and change.

It is worth noticing that the theory as presented in this book has undergone no substantial modification, for Professor Loria keeps very close to the position assumed in his earlier writings, from which neither twenty years' study—during which he accumulated around his leading idea a mass of historical facts without precedent in economic literature—nor many and distinguished assailants could move him. As one might have expected, the marked originality of his thinking drew the attention of the learned world from the very beginning, when the system was not yet brought to the degree of organic completeness reached in *Analisi della Proprietà Capitalistica* and in *Costituzione Economica Odierna*. But it was chiefly after the publication of the first of these two masterly works which gave their author a prominent place among economists, that opponents (as well as followers, we may add) became numerous, and directed their arrows at the various points of his system, some attacking the premises on which it is based, others the consequences, logical and practical, inferred therefrom, but oftener criticising matter of detail of no vital importance to the system as a whole; all of them, however, being unanimous in acknowledging the importance of Loria's theory to economic science on which, beyond all doubt, it throws a new and clearer light.

In his answers Professor Loria is mostly felicitous, and some of his

¹ *La Rendita fondiaria e la sua Elisione Naturale*, 1880; *Du Legge di Popolazione ed il Sistema Sociale*, 1882; *Analisi della Proprietà Capitalistica*, 1889; *Les Bases Économiques de la Constitution Politique*, 1893; *La Costituzione Economica Odierna* 1899.

remarks on largely accepted doctrines will not pass unnoticed, and are likely to raise discussion among economists. To him modern economics, even in the hands of its best exponents, is utterly unable "to explain satisfactorily and draw back to their first factors, the complex phenomena of capitalistic property": it does not account for the existence of wages, rent, and profit, which are, however, the very essence of modern economic organisation, and which we ought to be able to understand, in order to understand the society wherein we live, our past history and future destiny. The reason of this falling short of economic science, we need not say, is in the author's view the negligence, or even the ignorance, of the all-powerful influence of land in moulding social-economic reports.

The second book, seven lectures delivered before the University of Padua, is a short outline of that somewhat errant science—if science it can be called—Sociology. In the introductory lecture the function of this new branch of human thought, its differential features, its relations to social sciences, the philosophy of history in particular, are carefully examined. The following lectures are devoted to a critical review of the various schools which start from biological or psychological postulates, and to the statement of our author's own view of the matter. Loria's conception is certainly important, more important than any which were presented to the judgment of the critics of late years. Even if we do not agree in all that he says, if some truths which seem categorically demonstrated to him have not the same degree of evidence for us, we must allow that whilst sociologists squander their time in discussing what methods are the more appropriate to their science, or build on metaphysical hypothesis or on fallacious biological analogies, Professor Loria followed the Baconian method of studying facts, picking them up all along the course of history. To him Sociology aims at discovering the "unitarian" origin of social phenomena, their relations, structure, and past and future evolution. This unitarian *terminus a quo* from which law, politics, religion, &c., come out, as the branches of a tree from the same root, is to be found in the economic organisation as determined by the existence of land and the degree of occupation thereupon.

There is certainly much to be said before accepting this bold monistic view of human evolution. If in the present state of knowledge we are not able to describe all forms of life change by the aid of one factor, we cannot even reduce the inorganic mechanism to one formula like the law of gravitation, there is an *a fortiori* argument against the probability of reaching this result when the greater complexity of social facts is concerned. It is difficult to conceive how moral action, for example, could ever be the necessary consequence of given economic conditions. There, obviously, the simple dependence of social phenomena is mistaken for their casual connection. The former simply implies functional relation, but the latter involves a further and definite temporal connection, quite irrelevant to dependence as such, and thus forbids

the inversion of the relation which is perfectly possible under the less special formula. Professor Loria's assertion that the economic factor precedes *in tempore* all other social facts; is not by any means proved by ethnographical researches, nor does he give us such a proof. Now an impartial observation shows that if it is true that the other social facts are dependent on economical facts, the converse of this proposition is also true. To go further than this functional relation is to set one's self against the well established truth that nature, in none of her aspects, has a beginning or an end.

But even if Professor Loria does not avoid the *ὑπερῶν πρότερον*, or explaining a thing by something which presupposes it, even if we may apply to him the Ciceronian "*ab arte sua non recessit*," his attempt is worthy of the highest praise, and he has the merit of having given the best illustration of the influence of the economic factor in social evolution.

G. VACCHELLI

Lo sviluppo economico dell' Europa fino alla formazione della proprietà capitalista. By M. KOVALEWSKI. Mosca: tomo I, 1898 (traduzione tedesca, 1900, Prager); tomo II, 1900.

To study the economic history of Europe from the fall of the Roman Empire to the genesis of the wage-earner, in other words to trace the formation, the development, the disintegration, and the death of feudal economy in the most diverse States of Europe, such is the enormous task which the author of this work has taken upon himself. And Mr. Kovalewski is unquestionably one of the very few persons who has it in him to carry out so boundless an undertaking with success. His great stores of knowledge in the legal history of all civilised nations, the studies he has achieved with prodigious industry in the archives of France, Italy, Spain and England, have placed at his disposal an amount of material which the most erudite historians might well envy. Besides, his well known breadth and acumen have revealed to him the character and essence of institutions which, to mediocre historians, have remained a continual enigma. It is therefore not to be wondered at if the author, thanks to so ample a preparation and so powerful a mental calibre, has succeeded in giving a really considerable monument of science and learning, worthy of the great nation which has super-vened with all the fervour of youth in the intellectual combats of our times.

The first book treats of the Roman and Teutonic elements of feudal property. It indicates the conditions under which Roman property was distributed in the times of the Empire, and German property in the times of Tacitus. And it seeks to make clear the quota contributed by each of these contrasted forms of tenure in the constitution of feudal property, a synthesis which it achieves from several points of view. The revolution in the system of property which was occasioned by the Germanic invasions, the economic methods which became

established amongst Franks, Burgundians, and Visigoths, the economic institutions which developed in France under the Merovingian and the Carolingian dynasties, in Italy under the Lombards, in England from the seventh to the ninth centuries—all this is clearly made out by the author with materials which are in great part entirely new, and which militate against the views held hitherto by jurists of the highest reputation.

The second book is a study of the economic side of the process of the feudalisation of landed property, with special inquiry into the formation of large landed estates. This is carried out on the lines followed by Inama-Sternegg, but with new and most notable contributions in documents, discussions, and facts, as well as with an interesting comparison between the formation of feudal domains in the West and the analogous phenomena in India under the Mussulman dominion. The author thereupon proceeds to study the formation of large seignorial properties in France—which gives him opportunity for a brilliant refutation of Fustel de Coulanges—and in England. Passing on to Germany, the author traces the economic outlines of the primitive mark and the germination from it, or mainly from it, of feudal property. He then investigates the general character of feudal property in France in the ninth, tenth and eleventh centuries, and determines the features and the limits of allodial property. Next he studies modes of land tenure, and common usage with respect to them, in the France of the twelfth and thirteenth centuries. Finally he gives a glimpse into the feudal system in those countries in which it presents a mainly *atypical* development, such as was the case in Languedoc, Belgium, Brittany, and Normandy.

The second volume deals with the changes in property, especially landed property, in the second half of the Middle Ages, that is to say, from the ninth to the fourteenth century, in England, Germany, Italy, Catalonia and Arragon. The last and at the same time the most interesting part investigates the fall of feudal economy, giving ample data on the different methods pursued in the emancipation of the serfs. The influence exercised by the bourgeoisie in this imposing transformation, the part played in it by the rural classes themselves in their violent revolts, the secularization of ecclesiastical estates, the dissolution of common property—these all constitute so many subjects of inquiry, so many figures in the interesting composition admirably drafted and grouped by the author.

Nor does M. Kovalewski limit himself to a bare narrative of the facts concerning the different races. On the contrary he sets himself to bring out the nexus of the manifold facts investigated, and to look for the causes which have determined the birth and dissolution of the great economic organism which he has undertaken to observe. And he finds the cause of its development in the increase of population as that which imperiously demands an advance to economic methods of ever greater efficacy and productivity. I agree to the truth of this proposi-

tion all the more willingly in that I myself explicitly asserted it, as early as 1879, in my book on *The Rent of Land* (*La Rendita Fondiaria*), and have constantly defended it in my subsequent writings. And I cannot, for this very reason, understand how M. Kovalewski, who has shown again and again such a benevolent familiarity with my books and my theories, should ever have been able to use this proposition as a weapon against the general tendency of my economic doctrine. Certainly, increase of population is the fundamental cause of the economic evolution, of the birth, development and death, of successive social systems. But increase of population does not exert this influence only in the way pointed out by the author, that is to say, by imposing the necessity of advancing to more and more productive economic methods. It has the further result of the destruction of free land, and thereby of rendering possible the superseding those systems of capitalism which are based on the appropriation of *man*, by systems of capitalism based on the appropriation of *land*. Now this second influence is precisely the proximate cause which has brought about the decay of the older economy and the formation of modern economy. Hence the author, in prescinding this influence from his analysis, has withheld the most forcible instrument of research into the great historical movement which he undertook to examine.

Our judgment is not veiled by patriotism when we affirm that the most remarkable chapters of the work under consideration are those referring to Italy. These contain inquiries of a profound and original nature, and attain to results which are unexpected even by those best versed in the subject. No one, in fact, prior to the author, had so amply demonstrated the presence in mediæval Italy of a large collective property which survived the decay of the feudal lordships. The documents, especially, which the author has collected with affectionate zeal on the agrarian communities in Tyrol, in the States of the Church, in the Garfagnana, on the progressive decadence of communal property, showing how it became at first a privileged possession of the oldest burgher families (instanced by the 'patriciate' of the Canton of Ticino), and then became redistributed among these, may be considered as so many revelations which will avail to destroy the many prejudices now current concerning the history of property, and the assumed eternity of private property. The only point on which we cannot fully agree with the author is concerned with the part which he assigns to Italian economists in the break-up of common property. M. Kovalewski believes, namely, that the views of Filangieri, Beccaria and others, distinctly opposed to common property, had a decisive influence in hastening the destruction of agrarian collectivism in Italy. Now we do not hold that it is legitimate to attribute to economic theories so weighty an influence in politic and human evolution. We believe that this fulfils itself independently of the influence of any doctrine whatever, through the irresistible action of physical and social factors.

And we judge that this may be affirmed with quite special force respecting the theories of the Italian classical economists of the eighteenth century. These had no sensible influence on either governors or public opinion, ever keeping to their clandestine and unpractical orbit of academical disquisition.

But, however on such questions we may hold different opinions from M. Kovalewski, objective impartiality compels us to do justice to the high value and the profundity of his book. In it he has given the world a truly memorable work, which must be consulted and meditated upon by all who are desirous of learning how the social system arose in which we live, and which will command the sincere admiration of all who can appreciate insight, constancy, and serene inquiry after truth.

ACHILLE LORIA

NOTES AND MEMORANDA

MR. WALSH ON THE MEASUREMENT OF GENERAL EXCHANGE VALUE.¹

THE capacity of taking boundless trouble, which is a characteristic of solid talent, distinguishes the work of Mr. Walsh. Whether he searches the writings of others or elaborates his original ideas, the thorough student and close thinker is manifest on every page.

The literature of the subject has never been examined so fully. Every devious path in the field where index-numbers flourish has been traversed in order to form an unrivalled collection of methods for measuring changes in the value of money. Many of the specimens here exhibited are probably new even to specialists. Or if the form was known, its origin and evolution were unknown. Who ever heard, for instance, of Carli and of Dutot as authorities on the subject? The bibliography would alone be sufficient to impart a lasting value to this work.

But Mr. Walsh is much more than a collector of specimens. The powers of a systematic botanist are also his. He classifies the material which he has collected. For example, it is doubtless a great improvement in logical arrangement to distinguish index-numbers in which, as usual, a single system of weights is used for the price-variations, from those typified by Lehr's and Drobisch's methods in which "double weighing" is practised. Again, among methods of weighting each article according to the expenditure thereon, there is a distinction between those which in effect compare the money value of the same set of articles at different times and those typified by Mr. Palgrave's method. I give the essence, as I conceive it, rather than the wording of some passages in the author's learned and logical Appendix C.

Mr. Walsh has not contented himself with classifying the specimens which he has collected. He has also attempted to penetrate to the structure and function of an index-number by a new microscopical analysis. Having observed the properties of the different kinds, by

¹ The measurement of general exchange-value; by Corea Moylan Walsh. New York: Macmillan and Co., 1901.

skilfully crossing the "arithmetical" with the "geometrical" type he has produced a new variety which may claim to excel in certain respects the existing species.

Limits of space prevent me from tracing these general characteristics through the contents of Mr. Walsh's volume. In truth, it might be feared that my reader's patience would give out if I attempted to reproduce in anything like their original, almost Kantian, elaborateness discussions to which the term "exhaustive," with all its suggestions, is particularly applicable. I will, therefore, select a few points which seem to be of special and permanent interest. Some solid and salient stepping stones may thus be afforded for traversing the flood of dialectic.

Mr. Walsh begins by defining different senses of value. He is specially happy in distinguishing cost value from other species. He complains not without justice, although great names fall under his condemnation, of those who have confounded the different *quasita*. He well remarks that, if a measure pertaining to cost value is to be constructed, we should not confine our calculations to the consideration of wages, but include profits.¹ His own investigation is confined to "general exchange value," which seems to have a certain parallelism with "final utility," as appears from its relation to Lehr's method:—

"In this method [Lehr's] its author has made an effort to do what appears to be accomplished in the method here presented. He has tried to measure the variation in the average price of mass-units, in all the classes, that have the same exchange value over both the periods together—to which equivalent mass-units he has given the not inappropriate name of pleasure-units" (p. 386.)

But Mr. Walsh's exchange value is more objective (9). The properties of general exchange value are set forth in a series of propositions, which may deserve the epithet "expletive," in so far as they are mostly self-evident yet render our instructive knowledge fuller and clearer. Among original points may be noticed the distinction between the exchange value of a thing (*e.g.*, money) in relation to all *other* things, and in relation to all things *including itself* (13). When first the reader learns that exchange value is considered as objective, he may be disposed to expect that it is an affair only of ratios abstracted from the quantities produced and consumed. Insensibly, however, as we ascend the gentle steps formed by the series of more or less "expletive" propositions, there is borne in on us the need of weighing. We dimly descry a unit, sometimes called an "economic individual" (102, 301), an "exchange value quantum" (302); we are directed to contemplate "mass-units ideally constructed" (285), "considered as equal, not as weights or capacities, but as exchange values" (284), in relation to which it is sought to determine the value of money at different times (and places). The data for this determination are prices and quantities of commodity; the problem is properly to combine

¹ Cp. Section on the "Labour Standard" in the memorandum attached to the third Report of the British Association Committee (1899).

these data. Two main questions arise :—What importance or “ weight ” is to be assigned to each of the given prices which enters into the combination? and what should be the method of combination? These questions are first considered separately as far as possible, and then in their necessary connection. I will not follow the preliminary separate inquiries through the windings of Mr. Walsh’s exhaustive discussion. Suffice it to notice that materials are not to be included in our index-number along with finished goods (78, 96), apparently for a reason usually given, that the factors of production are counted in the products. Nor is it the quantity of each exchangeable thing that is actually exchanged for money (85), but rather, as I understand, the quantity that is used, which concerns us. As to the method of combining the data we are practically restricted to the three classic Means, the Arithmetic, Harmonic, and Geometric. The author compares the properties of these means, showing certain grounds for the preference of the Geometric :—

“ If the exchange value of money in [B] rises by more than 100 per cent. the compensatory fall of the exchange value of money in [A] should be to below zero according to the arithmetic method of averaging, which therefore is inapplicable in this case [where [A] and [B] are two equally important classes of things]. And if the exchange value of money in [A] falls to less than half, the exchange value of money in (B), should rise from below zero, according to the harmonic method of averaging, which therefore is inapplicable here. But in the use of the geometric compensation there are no such impossible cases ” (249).

This passage illustrates certain properties of the compared means, to which the author attaches importance. In the simple case of two extremes, between which a Mean is taken, the distance of the Arithmetic Mean from one extreme, per cent. of the Arithmetic Mean, is equal to the distance of the Arithmetic Mean from the other extreme, per cent. of the Arithmetic Mean. The distance of one extreme from the Harmonic Mean per cent. of that one extreme, is equal to the distance of the other extreme from the Harmonic Mean, per cent. of that extreme. The distance of one extreme from the Geometric Mean, per cent. of that extreme, is equal to the distance of the Geometric Mean from the other extreme, per cent. of the Geometric Mean. This last proposition cannot be extended from the case of *two* to that of many variables, from the *geometric mean*, in Mr. Walsh’s very peculiar phraseology, to the *geometric average*. To the same class of properties, true of the “ mean,” but not the average, belongs the following, which Mr. Walsh considers important :—

$$\text{If } a_1 a_2 = b_1 b_2, \text{ then } \sqrt{\frac{a_2}{a_1} \times \frac{b_2}{b_1}} = \frac{a_2 + b_2}{a_1 + b_1}$$

Confining myself to the general and concrete case of plural data, I hasten on to the latter stages in which the question of weights and

means, at first separated, are considered in their real connection. We have now to consider penultimately the two simplified cases in which either (1) the sums of money expended on each commodity remain constant at the two periods (or places) compared, or (2) the quantities of each commodity are thus constant; and finally (3) the general concrete case in which both expenditure and quantities vary. In the first case I think most people would be disposed to answer off-hand that the sums supposed constant form the proper weights for an arithmetic combination. The author, however, seems to rightly judge that the ideal of comparing the money values of the same number of exchange units or "economic individuals" would not be realised by this procedure; for a reason which he thus assigns with respect to the proposal of taking the arithmetic mean of the sums when supposed different:—

"If it happens that the exchange value of money has fallen or prices in general have risen, greater influence upon the result would be given to the weighting of the second period. . . . Or in a comparison between two countries greater influence would be given to the weighting of the country with the higher level of prices. But it is plain that *the one period or the one country is as important in our comparison between them as the other, and the weighting in the averaging of their weights should really be even*" (105).

To avoid the difficulty thus indicated, the following formula is proposed in the case of constant sums being expended on each commodity. Let $a_1, a_2; \beta_1, \beta_2; \dots$, be the prices at the first and second epoch respectively, and $x_1, x_2; y_1, y_2; \dots$ the corresponding quantities of commodity; the required index-number is $\frac{x_1 \sqrt{a_1 a_2} + y_1 \sqrt{\beta_1 \beta_2} + \dots}{x_2 \sqrt{a_1 a_2} + y_2 \sqrt{\beta_1 \beta_2} + \dots}$; or, as by hypo-

thesis $x_1 a_1 = x_2 a_2$, this may be written, $\frac{a_2 \sqrt{x_1 x_2} + \beta_2 \sqrt{y_1 y_2} + \dots}{a_1 \sqrt{x_1 x_2} + \beta_1 \sqrt{y_1 y_2} + \dots}$

(310). The transition is easy from this formula, "Scrope's emended method," as Mr. Walsh calls it, to Scrope's method pure and simple, which is proper to the second abstract case, in which the *quantities* of each commodity are constant, say $x, y \dots$. We have only to substitute in the last written formula, x for $\sqrt{x_1 x_2}$, and so on (360). These prolusions lead up to the general concrete case in which neither the sums nor the quantities remain constant. Guarding against the difficulties encountered in the simpler cases, the author proposes this "universal formula":

$$\frac{x_2 a_2 + y_2 \beta_2 + \dots}{x_1 a_1 + y_1 \beta_1 + \dots} \times \frac{x_1 \sqrt{a_1 a_2} + y_1 \sqrt{\beta_1 \beta_2} + \dots}{x_2 \sqrt{a_1 a_2} + y_2 \sqrt{\beta_1 \beta_2} + \dots}$$

This form is shown to have a certain theoretical advantage over other species of index-number, in particular those which, as affected with "double weighting," most challenge comparison with it, namely Drobisch's and Lehr's methods. The universal formula satisfies *some* of the criteria which Mr. Walsh has laid down. It does not, however,

in general, satisfy what he has called Prof. Westergaard's test that (*e.g.*) "prices measured from 1860 to 1870 and from 1870 to 1880 ought to show the same variation from 1860 to 1880 as would be shown by comparing the prices of 1880 directly with those of 1860" (205). One may imagine a world in which the universal formula, and even "Scrope's emended method," would completely satisfy Prof. Westergaard's test and all other tests. "But in the world as it is, we have not reached the absolutely true method" (402).

What now is the worth of this result and of the investigations which lead up to it? The answer to this question will vary with the critic's preconceived opinion on some very debatable first principles. I, for one, find myself at variance with Mr. Walsh on certain fundamental issues, for the discussion of which I have thought an independent article more appropriate than a review.

I cannot accept a view of the subject according to which it is significant to seek an exact measure of the change in the value of money in the case where only *two* price variations are given. This paucity of data would indeed be innocuous if we had as clear and objective a perception of the units of exchange value as of the units of mass and motion, or the degrees of the thermometer. On that supposition we might even speak with Mr. Walsh of obtaining an expression for the "general exchange value" of money, or any one thing, "at each period separately" (76, *cf.* Appendix A). A series of such expressions for successive years would no doubt satisfy Prof. Westergaard's criterion above mentioned and all other tests. But I can form no idea of such a general exchange value, except the somewhat indefinite notion of the relation between an amount of money and the quantity of utility which it will procure. I have not the courage to speak with Dr. Irving Fisher of a *util* as an hedonic unit, I do not insist on the term utility, but only on the fact that our perceptions of the value of money in relation to such a unit as is desiderated are vague and indefinite. Suppose that one large class of commodities, say those following the law of decreasing returns, were to rise in price each by the same or nearly the same percentage, while all other articles in use, also forming a large class, were to fall together; that in such a case the exchange value of money has varied by so much would appear to me a somewhat indefinite proposition—its subject deficient in logical clearness, and its predicate in numerical precision. On such a supposition the objections which have been urged by a distinguished economist against index-numbers,¹ that the results are widely different according as different species of averages are employed, would seem to me a fatal objection. The wide differences which may exist in such a case between different means are indeed of a piece with the enormous discrepancies which might be expected between the estimates of equally competent judges as to the change in the value of

¹ ECONOMIC JOURNAL, vi. p. 190.

money in respect to some such unit as is postulated. For example, if the drop in one large class, including necessities, was great, while the rise in the remaining class was small, it would probably seem to all that money had fallen in value; it might seem to only a few that it had fallen to half its original value; but between these limits there might be no unanimity. With all his logical precision, Mr. Walsh does not seem to have removed what Mill calls "the necessary indefiniteness of the idea of general exchange value." Mr. Walsh admits that "we have not yet reached the absolutely true method." I am disposed to think that we never will reach an exactly true method on his lines, until we are able to handle and weigh final utility, or what he calls "esteem value," as we do material commodities.

What should we think of a book which purported to instruct the Civil Service Commissioners who superintend our public examinations as to the principles by which their judgment should be decided in cases where there might be only two marks for each candidate, say one in literature and one in science? Should we expect that any skilful blend of arithmetic and geometric mean would bring out a true figure, representing the real relation between the merits of the candidates? That large part of Mr. Walsh's analysis which is devoted to the case of *two* data appears to me to be equally foredoomed to failure. I should not expect much useful suggestion from any formula which holds good only for the artificially simplified case of dual data, and not for the concrete reality of plural data.

Doubtless a certain interest is excited by this attempt to feel after a conception of general exchange value. Perhaps posterity will regard these tentatives as we regard the exercise of thought by which appropriate conceptions in mathematical physics have been won. Or, to compare small things with great, the better parallel might be found in the disquisitions by which the ancient philosophers made familiar, if they did not make quite definite, many abstract terms which are still in use. Meanwhile our author has a less pleasant feature of resemblance to the Greek sages, namely a proud confidence in dialectic, to the neglect of more positive science. I refer to his treatment of the Calculus of Probabilities. He regards it as irrelevant (38), and takes Cournot to task for applying it to the problem in hand (38, 66, 69). This omission of Probabilities appears to me serious. Even granting¹ that the *primary* problem is to measure the value of money in some such unit as Mr. Walsh desiderates, still by rejecting the Calculus of Probabilities he has not only thrown away an instrument necessary for the performance of that measurement, but also has lost sight of an important *secondary* aspect of the problem.

First, according to the view here submitted, the estimate of the relation between money and the unknown unit based upon one or two price variations is very vague—the discrepancy between equally

¹ Without prejudice to the claims of the "Labour" or "Real Cost" standard; which we may agree to postpone as not ripe for discussion.

authoritative estimates might perhaps be as likely as not to amount to twenty-five per cent. in accordance with the suppositions made just now. But by the Theory of Probabilities, as observations are multiplied, the enormous "probable error" incident to the individual observations becomes diminished in the average. The rope is much stronger than its component strands. I would not deny that there is some philosophical difficulty in thus obtaining a definite measurement of a quantity, the degrees of which are not capable of being perceived distinctly. Rather, I would say with Prof. Marshall,¹ that an absolutely perfect standard is "unthinkable." But here, as in wider spheres of conduct, although speculative difficulties cannot be perfectly resolved, we may obtain sufficient guidance for action. One useful direction is that "weighting" is of less importance than at first sight appears. Even with reference to what I am willing to regard as the primary *quæsitum*, it is safe to say with Mr. Bowley that "no great importance need be attached to the special choice of weight."² It is well to imitate the judicious compromise and happy ambiguity of Sir Robert Giffen in the Second Report of the British Association Committee (1898):—"Practically, the Committee would recommend the use of a weighted index-number of some kind, as, on the whole, commanding more confidence. But they feel bound to point out that the scientific evidence is in favour of the kind of index-number used by Prof. Jevons—provided there is a large number of articles—as not insufficient for the purpose in hand. . . . A *weighted* index-number, in one aspect, is almost an unnecessary precaution to secure accuracy, though, on the whole, the Committee recommend it."

I do not retract the opinion which has been expressed above that the index-number elaborated by Mr. Walsh³—the one applicable to the general case of varying quantities and prices—has a certain theoretical advantage over its predecessors. But I doubt whether the advantage of this method over the simpler method sanctioned by the Committee of the British Association is so great as to compensate the trouble of applying the more complicated method. This doubt is confirmed by the following consideration. It seems to be admitted by high authorities—and Mr. Walsh would apparently agree⁴—that the most exact solution of the concrete problem is obtained by a series of index-numbers taken at short intervals of time. Now the interval of time between any two adjacent index-numbers being small, we are entitled to assume that the change in price and also in quantity during any such interval is small. Accordingly let us substitute in Mr. Walsh's above written formula for $a_2, \beta_2, a_1 + \Delta x_1, \beta_1 + \Delta \beta_1$, and similarly for $x_2, y_2, x_1 + \Delta x_1, y_1 + \Delta y_1$, where $\Delta a, \Delta \beta, \Delta x, \Delta y$, are small (relative to

¹ *Contemporary Review*, 1887. ² *Elements of Statistics*, p. 113, cp. ch. ix. 1.

³ Above, p. 407.

⁴ P. 113, referring to the Report of the British Association for 1887, p. 250. (Cp. *Ibid.*, p. 269.)

$\alpha_1, \beta_1, x_1, y_1$ respectively), in such wise that the second and higher powers of the quantities $\frac{\Delta\alpha_1}{\alpha_1}, \frac{\Delta x_1}{x_1}$, &c., are small fractions. Then, expanding in powers of $\Delta\alpha_1$, &c., Δx_1 , &c., we find that Mr. Walsh's "universal" formula differs from the index-number recommended by the British Association Committee only by quantities of the *second* order. It may be added that the elegant formula which, as above mentioned, Mr. Walsh introduces as "Scrope's emended method" differs from the index-number of the British Association Committee only by quantities of the *third* order.

Mr. Walsh seems to have exaggerated the need of weighting. He gives the *Economist's* index-number as an example of the discrepancy resulting from different weights (83).

"In the comparison given by Mr. Palgrave of the Economic series of 'unweighted' index-numbers and the index-numbers calculated upon the same prices, we find the following contrasts:—

1880	87	89
1881	81	93
1882	83	87
1884	79	88

Here the calculated movements of general prices go in exactly opposite directions in every sequence of years. Between the first and the second years, for instance, the *Economist* figure falls 7 per cent., and the 'corrected' figure rises $4\frac{1}{2}$ per cent.—a difference of 12 per cent. Divergences of this sort are to be seen in every case where in a series of periods the same price has been treated in both ways for comparison."

But in a matter of this sort we should look to the average character of experience rather than at exceptional instances. The rudimentary index-number of the *Economist* appears less typical than Mr. Sauerbeck's index-number or that compiled by the Aldrich Report,¹ each of which gives almost identically the same result whether unweighted or weighted. We should contemplate in the statistics compiled by the Bureau of Economic Research,² the curves which represent the weighted or unweighted index-numbers hugging each other closely through the long course of years. We should take into account too the *a priori* reasons for expecting this sort of correspondence, reasons which derive some confirmation from their verification in the like matter of wage statistics. See the "example of the smallness of the change introduced by difference in systems of weighting" in Mr. Bowley's *Elements of Statistics* (p. 114 *et seq.*, cp. *ibid.*, p. 219, "On the unimportance of weights," *et seq.*).

Doubtless divergencies of the sort, to which our author points triumphantly, "are to be seen in every case" if you look out for them; just as extraordinary sequences are to be seen in games of chance if you look out for them long enough. Mr. Walsh, indeed, has not been very happy in his selection of a specious exception. By a pardonable

¹ See ECONOMIC JOURNAL, vi. p. 136.

² *Ibid.*, x. p. 600.

oversight it has escaped his attention that the index-numbers which he contrasts are not as he supposes "calculated upon the same prices." The unweighted index-number is taken from Mr. Palgrave's Table 26,¹ in which the prices of *cotton-wool*, *cotton-yarn*, *cotton-cloth*, play a part. The weighted index-number is taken from Mr. Palgrave's Table 27, from which these three prices are excluded. For the purpose in hand it would have been proper to exclude those three cotton prices, as is done in the *Memorandum* attached to the second Report of the British Association Committee. I reproduce the result so far as relevant here.

	1880.	1881.	1882.	1883.
Mr. Palgrave's Weighted Mean for 19 articles.....	89	93	87	88
The simple Arithmetic Mean for the same articles.....	93.5	86	89	85.5
Excess of Arithmetic over Weighted Mean..	4.5	-7	+2	-2.5

It is still true that "the calculated movements of general prices go in exactly opposite directions in every sequence of years," that is three times.² But as the distance to which they go is inconsiderable in comparison with the "probable error" to be expected, it would be requiring too much that they should always go in the same direction. The figures in the table from which an extract is given had been noticed in the *Memorandum* referred to as exceptional, not on account of their divergence but on account of their agreement. "The annexed comparison," it was there remarked, "does not present the appearance of pure chance. The discrepancies are rather *less* in magnitude than the theory regards." This "faultily faultless" character of the index-number is *pro tanto* corrected by Mr. Walsh when he points out some little discrepancies in the matter of the sequences.

Had he bestowed more attention on the theory of averages, our author would have asserted with less confidence that "in no other case [except the case in which all prices vary alike] do we want to seek any determination 'irrespective of the quantities of commodities.'"³ There

¹ Third Report of the Royal Commission on Depression of Trade and Industry. [C.—4797], 1886; pp. 343—353. (Cp. *Brit. Ass.*, 1888, p. 208.)

² Out of fifteen sequences or changes from year to year shown by the complete table *eleven* are in the same direction for both weighted and unweighted index-numbers; *four* are in opposite directions, viz., 1873—1874 and the three sequences selected by Mr. Walsh, 1880—1881, 1881—1882, 1882—1883.

³ Page 222, note. Referring to the present writer's *Memorandum* attached to the Report of the British Association Committee, 1887, p. 280; where the commentator strangely supposes that the case contemplated is that "in which all prices vary alike." The context of the section referred to and the parallel section in the third

is a *secondary* form of the problem with respect to which weighting has even less importance than under the first aspect. I may introduce this variety by a problem which has been likened to the problem now before us, the determination of the sun's motion relatively to the sidereal system. Referring to this sort of problem Mr. Walsh has some just remarks on the relative motion of the single body and the system (68 cp. 38). He may be right in suggesting that the use of Probabilities in the analogous monetary problem has sometimes been connected with a confusion between cost value and the kind of value which he has set himself to measure. Yet I do not feel sure that the function of the Calculus is adequately recognised in the following passage :

"When we have chosen which method we shall adopt, and what shall be our standard [whether we shall consider motion of a body relatively to *all other* things, or to *all* things including itself], there is of course no occasion for employing in our measurements the law of probabilities—as was asserted also in this connection by Cournot. We do not say it is more probable that all the other things have remained stationary than that this one has stood still and they moved ; or it is more probable that all things have together remained stationary, wherefore both this and the others have moved relatively to the whole. But having adopted our point of view we simply measure as best we can what we see happening before us. And our point of view itself in these matters we adopt not by any use of the law of probabilities, but because the myriad inter-relations which do not change, or which do not change on the average, make more impression on us than the particular ones which do change" (69, 70).

However this may be, it does not invalidate the proposition which I am concerned to maintain : that without knowing the centre of gravity, or "weighted mean" of a system of bodies, we may know by the theory of averages that one single body is advancing through the cluster. Leaving the problem of the stars, which involves some technicalities, let me take a humble terrestrial illustration. The annexed pairs of figures were thus obtained : As I walked along Piccadilly one day I noted the number of omnibuses which met me (*viz.* 7) and the number which passed me (*viz.* 3) out of the first *ten* which came up to me, whether they were moving in the one direction or the other ; and so on for successive decades (the observations not being all made on the same day, nor at the same hour).

7, 3 ; 8, 2 ; 8, 2 ; 5, 5 ; 7, 3 ; 8, 2 ; 7, 3 ; 6, 4 ;
7, 3 ; 6, 4 ; 7, 3 ; 7, 3 ; 6, 4 ; 8, 2 ; 8, 2 ; 7, 3 ;
8, 2 ; 4, 6 ; 7, 3 ; 7, 3 ; 8, 2 ; 6, 4 ; 9, 1 ; 8, 2.

From these and other observations in *pari materia*, I find that on an average of the omnibuses observed, about 70 per cent. passed and 30 per cent. met the observer. If, as there is reason to suppose¹ (at

memorandum (*Report of the British Association*, 1889, p. 156) make it clear that the sought common effect of changes in the supply of money is not supposed to be given free from disturbances special to particular commodities (Cp. below, p. 415).

¹ This presumption is confirmed by the following statistics in which the first member of each pair (*e.g.* 6 in the first pair) denotes the number of omnibuses moving

the hours when the observations were made), the same number of omnibuses are moving in both directions with the same average velocity, say, V ; an easy calculation shows that the velocity of the pedestrian, supposed uniform, $= (0.7 - 0.3)V = 0.4V$. That is the absolute velocity, so to speak, referring, say, to some fixed point in the street. Accordingly the velocity of the pedestrian relative to the vehicles which are moving in an opposite direction to his is $1.4V$; and relative to the vehicles which are moving in the same direction, $0.6V$. If, then, the pedestrian could observe his own velocity relative to a great number of vehicles taken at random from the whole series—say all that at a given instant were in Piccadilly—the distance by which he would be found to gain upon the average omnibus in a unit of time would be about $(1.4 - 0.6)V = .8V$. This datum might possibly have been obtained by observation, if the observer had attended to the relative velocities of the vehicles in his neighbourhood, not merely to the numbers which met him and passed him, as he walked.

The distance which the individual on foot moves relatively to the average omnibus during a unit of time may be treated as a substantive entity, an independent measure of the rate at which the individual is advancing through the crowd of vehicles. Or it may be regarded as an approximation to a perhaps more scientific *quasitum*, the rate at which the individual is moving towards the *weighted mean* of the system. The simple average might be used for this ancilliary purpose by one who had not the means of ascertaining the centre of gravity of the system, or even by one who had not formed a very clear idea of what is meant by a centre of gravity. The approximation may be expected to be very close. For the statistics now under consideration are simply related to the group above cited, representing the proportions of vehicles meeting and passing the pedestrian; and this group appears to possess the characteristic on which indifference of weighting depends, namely *sporadic dispersion* about a constant mean.

Is it necessary to interpret the parable? The oscillating crowd of public conveyances is comparable to the long list of commodities with ever varying values—the swaying series of the logarithms¹ so taken

eastward, and the second number (*e.g.* 4 in the second pair) denotes the number moving westward, out of every ten omnibuses, which, sitting at the window of a club in Piccadilly, I observed passing in either direction:—

6, 4; 5, 5; 4, 6; 5, 5; 6, 4; 6, 4; 5, 5; 3, 7;
5, 5; 6, 4; 3, 7; 5, 5; 5, 5; 7, 3; 5, 5; 5, 5.

It may be noticed that on the basis of the calculation in the text the observer would appear to be moving westward with a velocity equal to an *eightieth* of the average velocity of an omnibus; a result which differs from zero by an amount which is well within the probable error incident to the calculation.

¹ As conceived by Cournot (*Théorie mathématique des Richesses*, ch. 2); who very properly in this connection does not mention *weights*.

that the difference between any two of them represents the relative value of two articles of exchange. The change in the distance of the pedestrian from the "weighted mean" of the system represents the *primary* monetary *quæsitum*; the change in his average distance from the other bodies in the system represents that unweighted—that is, equally weighted, or more generally randomly weighted—mean of price variations, which may be used either as subsidiary to the primary investigation, or as an independent *secondary* measure. The position of high collateral dignity is all the more deserved in that the secondary measure enjoys an objective or external character, which cannot—according to my view of the subject—be accorded to the primary *quæsitum*.

The recognition of this sort of absolute standard, or at least of that sporadic dispersion on which it is based, demands a considerable widening of the views and softening of the strictures, which we find in the work before us. First, more attention may be claimed for a species of average, appropriate to the secondary *quæsitum*, the *Median*, which Mr. Walsh has mentioned only to reject. Again, his criticism of those who have sought to include wages with commodities in an index-number seems too harsh. Those certainly are to be condemned who confound the distinct standards, which are based on the amount of commodity which the same sum of money will procure, and the amount of effort and sacrifice which are required to procure the same sum of money. Mr. Walsh is quite justified in describing a mixture of these two species of index-number as an unmeaning "hodge-podge." But there is a secondary point of view in which these distinctions are less important; the view which seems to have been taken by some of the great men who first approached our problem. When Hume imagined every one awaking one morning with an additional coin in his pocket, when Mill improved on the idea by imagining the money in every one's pocket to be increased in a certain ratio, presumably they thought of prices in general without distinction of producers' and consumers' goods. And certainly in an alert state of competition, if such a change as Jevons proposed for the purpose of unifying international coins were carried out, namely, that what is now 100 dollars should reckon as 103½, it is very conceivable that this change would rapidly propagate itself through a great variety of transactions, including those between master and servant. And accordingly, though the change in wages in each department might be liable to the same proper disturbance as the finished article (in addition to the common monetary influence), and so far as they are not *independent* observations it would not be much good including them, at the same time there would be no harm in including them in such an unweighted index-number as is now under consideration. I am not contending that wages ought in the existing state of things to be included in any kind of index-number along with finished products. I am only regretting that our author's great learning has not saved him from the common defect of original

writers on the subject, an inability to perceive the many-sidedness of the problem, an exclusive devotion to one idea.

There are more things in the monetary cosmos than are dreamt of in his philosophy. Still his philosophy is of a very high order. So subtle dialectic, such logical precision, supplemented by a diligence of literary research that is quite unrivalled, if brought to bear on other economic problems, may be expected to merit a less chequered encomium. That they have not now obtained a more decided success seems due to the peculiarity of a problem which involves the more positive science of Probabilities. But, I repeat, this is an individual opinion on a much debated question. There are those who conceive the problem in a sense more favourable to Mr. Walsh. To me he seems unfortunate in his subject; to others perhaps, only in his critic.

F. Y. EDGEWORTH

THE ECONOMIC EFFECTS OF BANKERS' ADVANCES.

THE ramification of the country by the branch-bank system, which so greatly facilitates the distribution of capital according to the requirements of different localities, is the supreme service rendered by the banking community to the economic development of the nation. During the closing decade of the nineteenth century, no fewer than 557 places in Great Britain and Ireland have been brought into a network now comprising 6,521 offices and in touch with every factor which goes to make up commercial life. How is this distribution effected?

In bank balance-sheets there are items appearing on the assets side which consist of advances to customers granted against some form or other of security. Deeds of houses and land, life policies, bills discounted, various bonds, stocks and shares, and the guarantees of men of property are the tangible representations of accommodation to merchants and manufacturers, the agricultural and the professional classes, now amounting to over £570,000,000, or 5 per cent. of the capitalised gross annual value of the total income of the United Kingdom. On the other side of the balance-sheets, £835,000,000 appear as deposits and current accounts, the accumulations from a thousand and one sources, but very largely the result of the thrift of the working classes.

On the money deposited with him, the banker allows the community a certain rate of interest, while the proportion of it which he advances for the development of trade and industry, assists after providing the *justum pretium* for its use which forms part of the banker's profit, in satisfying the requirements of modern commercial conditions that profit should consist of interest on capital, insurance against risk and wages of management. It is a process of the capitalisation of wealth, or land, labour, and capital, so that every latent element shall become

a reproductive resource. Take an instance. A house is built on a plot of land, that is to say, capital is placed in that land, and interest accrues, partly as rent for the land, partly as interest on the capital the erection represents. When an advance is made on the deeds of this property, to the rent and the interest is added an additional return and an additional reproductive power otherwise difficult of realisation. In those cases in which a certain amount of borrowed capital is absolutely necessary for the success of an enterprise, and without which no profitable return at all could be obtained, the extent of the additional economic development secured is much more important than in the instances of voluntary extension of trade for the purpose of doing a wider business, for the one is a victory over a negative quantity, while the other is simply the assertion of an affirmative factor.

Those divisions of bankers' advances which consist in the discounting of trade bills, and in granting loans against letters of guarantee of responsible persons require separate examination. The difference between the value of the goods as represented in a bill of exchange due at a future date, and their value at the present moment, may be taken as the amount of interest on the bill for the term of its currency, and so, in order to meet the demands of modern production that capital should be productive, not only of more goods but also of more value, bankers are called upon to assist in that reduction of the cost of production which consists in minimising the differences in the value of various products due to the varying lengths of time these necessitate, and thus contribute to that dual attribute of "labour and delay," that power of waiting longer for returns on capital, now so essential to economic progress. And as the proportion between bankers' deposits and the aggregate amount of bills of exchange is yearly becoming wider, tending to a permanency of lower rates for money, this power of waiting is gradually being made easier. Now while advances on deeds, bills, and money securities, being based on some realisable asset, are factors which bring to bear upon latent resources the necessary awakening influence, those made against guarantees are essentially items which actually create credit, and as such, swell the sum of inter-liabilities which in times of crisis has to be dissected. Nevertheless, when incorporated with sound methods of business, they materially assist the national reproductive power.

Thus bankers' advances, in facilitating the constant consumption and replacement of capital on the one hand, and its position as an aggregate permanency on the other, make up a mechanism which turns a stagnant pond into a reservoir possessing all the life of a swift river. The centrifugal force of the circulatory movement is the security held.

If it is argued that national wealth has so increased that there is less necessity to borrow, the records of banking show that the demand for accommodation does not decrease, but is accentuated, in times of

prosperity. This evidence, in conjunction with that of the national accumulation of capital, makes the intensification of the demand in the future a foregone conclusion. Looking at the returns of sixteen leading banks for the year 1900, no less than 66 per cent. of the total increase of resources is due to advances and discounts, and in the nine cases in which it is possible to divide these two items, $11\frac{1}{2}$ per cent. appears as the increase in advances, and $4\frac{1}{2}$ per cent. for discounts. It is true that the enormous growth of company promotion in recent years, and its culmination in that combine movement which is perhaps the chief economic feature of the last year of the Victorian Era, necessitating that the public should be appealed to direct for the required capital, has thereby contributed to the increase of transactions on the stock markets, but because of the preponderating influence of the utility of banking credit, the underlying principle is the same, and the eventual effects revert to bankers.

Careful and judicious observance of a fixed proportion between available funds and amounts advanced, and of a margin on the value of the security in excess of what is lent, has become a well established principle among bankers. The commercial crises up to 1847 were ascribed to an artificial credit created by the excessive note-issues of a large number of small banks. But with the growth of the cheque system and the decline of the demand for bank-notes, now rapidly reverting into the hands of the Bank of England, bankers' advances came to assume a more prominent position in financial life. Hence the importance of resisting the temptations of higher rates and increased profits which invariably present themselves to bankers in periods of trade inflation, and the refusal to allow supply to be at the mercy of demand is a powerful factor in the maintenance of national stability and credit. Taking £1,060,000,000 as the resources of English banks at the end of 1900, and 68 per cent. as the proportion of their advances to their liabilities on simple contract, some idea may be gathered of how much of the reserve capital of the nation the margin between the value of the security and the sum for which it is pledged represents in the aggregate.

There is no doubt that the prevailing spirit of amalgamation in the banking world for some years past has intensified the operation of bankers' advances on financial and industrial life. The nearer approach to that policy of complete uniformity, which has long been recognised as a factor in economic progress, put into force in the consolidation of advances, has not only facilitated the simplicity of the mechanism by which they can be obtained, but has also bestowed a greater power of control on a few sound and wealthy joint-stock institutions over the speculative and excessive-trading classes, rendering the policy of weeding out or placing on a more satisfactory basis all connections of a doubtful character a comparatively easy task, and thus silently and surely strengthening commercial life.

But the tendency of the great London banks to absorb the smaller

provincial institutions is so effectively drawing capital away from the agricultural districts to the central money market of the world and to the great centres of manufacturing and industrial life as to make the cry of "back to the land" more and more difficult of realisation. The less cumbersome and more easily realisable nature of advances on what are known as "money securities" and trade bills, the centralisation of capital in the hands of a few mammoths whose guarantee to the public, in addition to a large and commensurate subscribed capital, is the assumption of the control of market rates, and, indirectly, the great industrial combines, all act as hindrances to the lending of money to the agricultural classes. This is very clearly exemplified in the disadvantages under which purely country banks labour in having to compete with the branches of banks with head-offices in London, and is one of the secrets of the absorption of so many provincial concerns by the giants of Lombard Street. Of the sixteen banks already referred to, the ten with country branches took nineteen twentieths of the increase in deposits and current accounts, and appropriated four-fifths of the increase in advances and discounts, during 1900; and taking the figures of eleven provincial banks whose districts embrace the manufacturing and commercial centres of England, and those of seven banks whose business is mainly in connection with agriculture, while the advances of the former show an increase of $3\frac{1}{2}$ per cent. those of the latter are barely one per cent. higher. The assumption of the offensive in recent years by some country banks in absorbing joint-stock and private neighbours is a valuable defence of the necessity for the protection of agricultural interests.

Although recent annual bank meetings have given opportunity for the sounding of warning notes with reference to the cash reserves of banks, the present condition of credit dispels any serious thought of danger. But the necessary attribute and the universal public demand that institutions, whether financial or political, national or provincial, should be guided by a policy of rendering impossible what seems improbable by taking steps to prevent its occurrence, suggests the question, What is the position of bankers' advances when trade panic or long depression reigns, and every individual, as well as every corporate body, wishes to get a tangible hold on that part of his property which he has entrusted to others? Over and over again it has been proved that these cannot be called in at a moment's notice. Strange as it may seem on the surface, this hindrance is one by which the community on the whole is at such times benefited. Only those first in the field, under such circumstances, could realise even what are known as "gilt-edged" securities, and if these are sold to any considerable extent, at what sacrifice! Nothing less than the irretrievable loss of so much productive capital; whereas the asset liable to little or no fluctuation in value remains intact, because it cannot be liquidated at the moment, and stands out as a reliable fund depending for its value

not on "rings" and "corners," or speculative devices, but on the inexorable law of supply and demand.

A factor in banking business which certainly possesses elements wholly similar to actual advances is the "banker's opinion." Intangible, but none the less important because its insidious effects are not apparent to the general public, the assertion may safely be made that the discontinuance of a custom which has well-nigh become law would paralyse trade. The recent litigation between Messrs. Charles Hirst and Son and the West Riding Union Bank, which has brought before the public mind the necessity for disinterested reports by bankers to one another as to the status of their clients, has not only emphasised the legal responsibilities these opinions involve, but should in the future act as a deterrent to any policy calculated, owing to the withholding of the whole truth, to undermine credit. In short, it has shown that unless these opinions can be relied upon implicitly, there is an end to safe and progressive trading as it is now conducted. It is given to bankers alone to realise the difficulties which may surround this department of their business, but whatever these may be, they can never constitute a reason for that bolstering up of credit which, though it may put off, not only does not remove, but invariably intensifies, the dangers of commercial disasters.

In conclusion, while bankers' advances are influenced, and should be limited, by the rate of accumulation of national savings, they, in that they accelerate this process, and therefore also the desire to employ more capital in reproductive uses, tend to maintain a steady rate of interest for the use of capital, and a more equable status of national credit. Surplus wealth compelled to go a-begging could not obtain that remunerative return which is facilitated by its employment, through the medium of banks, in a way that insures the maximum equilibrium net interest which, from an economic standpoint, should be procurable. And the fact that the rate of increase of this one item of the many that constitute financial and commercial life, during the past ten years, has been fully in proportion to the growth of the others is the final proof of its importance, and intensifies not only its peculiar progressive utility, but also the democratic tendency of banking in general.

BANKS OF THE UNITED KINGDOM.

Year.	Advances.	Per head of population.
	£	£
1890.....	419,000,000	11
1900.....	570,000,000	14

Perhaps the most emphatic exemplification of the "banking for the people" *régime* is the prevalence of rate-cutting and undignified

competition against which many sound bankers have raised a protest. The introduction of means for obtaining business by which the old relationship of bankers to their clients is being reversed, and which has led to banks being asked to tender for accounts, is an evil which must rebound on the community at large, for the ability of banks to satisfy the requirements of the public depends very largely on their capability of earning those profits without which the principles of sound finance cannot be carried into effect. There are many contingencies, both present and future, besides current expenses and dividend payments, to be provided for out of profits. The easier the flow of possible national savings into the hands of those most likely and most capable of placing them to their best uses, the more complete will be the removal of all hindrances to the most beneficial application of the vast machine known as industrial organisation.

EDWARD E. GELLENDER

NOTE.—The calculations are based on figures contained in the *Banker's Magazine* for April, 1901.

THE BRITISH SALT TRADE IN THE NINETEENTH CENTURY.

In 1801 the salt tax, which had been raised to 10s. per bushel, was condemned in a report of a Committee of the House of Commons. The financial needs of the country were, however, so urgent that in 1805 the tax was still further increased to 15s. per bushel. In a petition presented to Pitt in that year against the duty on salt when exported, it was stated that the capital invested in the salt works, rock pits and lighters amounted to £436,000 over and above the capital employed in carrying on the trade, and that 2,950 individuals were engaged in the works exclusive of those dependent on them (Holland's *Cheshire*). During the ten years ended in 1806 the average quantity of white or manufactured salt brought down the river Weaver amounted to 139,017 tons.

On April 3rd 1818 a public meeting was held in Liverpool in favour of the repeal of the excise on salt. According to Picton's *Memorials of Liverpool* great stress was laid on the frauds on the revenue in connection with the rebate on exported salt. The duty was paid at the Salt Works, but as salt attracts moisture, and was conveyed by water to Liverpool, there was a gain of weight when transhipment took place there, and on such of this increased weight as was exported the manufacturer or his broker was able to claim a drawback at the rate of £30 per ton on duty which had not been paid at the Works. In 1823 the duty was reduced from 15s. to 2s. per bushel, and it was provided that in 1825 the duty should be repealed. There was as might be expected considerable increase in the quantity of salt used. The abolition of the duty permitted the use of salt in the manufacture in this country of chemicals on the Leblanc system. In

1823 the Muspratt works at Liverpool were started. The value of salt exported in 1828 was £154,000.

McCulloch gives the salt export in 1833 as about 12 million bushels, or about 300,000 tons. Of the quantity 98,110 tons went to the United States, 39,271 tons to Holland and Belgium, 41,180 to British North America, 35,326 to Russia, and 26,269 to Prussia. The same authority gives the average annual supply of white salt sent down the river Weaver for the three years ending 1834, both for home consumption and exportation, as 368,594 tons. The average cost per ton in 1839 was 14s to 16s. At that period the Cheshire salt trade was said to employ about 300 flats or lighters of an average carrying capacity of 70 tons, and employing, inclusive of carpenters and builders, about 1,200 men. It was said that altogether there were about 8,000 individuals employed in the salt trade in Cheshire, and the capital embarked in it was estimated at from £600,000 to £700,000. Steady increase in production followed. In 1844 the East Indian market was opened up. Extension of production was further accelerated by the adoption of the policy of free trade. The increase of supplies imported oversea and the corresponding growth of the mercantile marine afforded opportunities for cheap freights outwards. In some cases shipowners requiring ballast weight for ships on outward voyages, would carry salt at a normal or ballast rate of freight, would carry it free, or purchase it from manufacturers and be content, if on arrival at destination they could sell it at the price they paid for it. In 1853 the quantity of salt exported was 520,000 tons, value £270,000, an average of 10s. 4d. per ton. In 1860 the quantity had increased to 700,000 tons, value £360,000, or 10s. 3d. per ton. In 1870 there was a further expansion to 760,000 tons, value £380,000, or 10s. per ton.

There had also during this period been great expansion in the chemical and other industrial arts, and a consequent increase in the demand for salt. The average annual production from 1841 to 1860 had been 880,000 tons. In 1870 the quantity of salt produced was 1,540,000 tons.

In the early seventies the Franco-German War considerably reduced the production of salt in both belligerent countries; and Belgium, Holland, and countries adjacent thereto, drew more largely upon the United Kingdom for their salt supplies. Contemporaneously there was a great increase in the price of commodities generally, particularly in iron, steel, and coal, which enter largely into the cost of production and transport of salt, and in the case of coal to one half the cost of production. Increased price combined with increased trade led to profits being increased not only in proportion to the tonnage, but also in proportion to the higher cost of production.

So great was the apparent prosperity of the trade at this period in Cheshire, that its members bore without flinching or protest the continuance of a tax or toll of 1s. per ton on white salt, and 6d. per ton on rock salt carried on the Weaver navigation. This toll was imposed

for the maintenance of the navigation, but the receipts on this high basis were much in excess of the expenditure, and the balance, amounting to very substantial sums yearly, went under the Weaver Navigation Acts to the county exchequer for county purposes not connected with the navigation. In Liverpool also Dock and Towns Dues were imposed, which bore a high *ad valorem* ratio to salt. In the quinquennium, 1865 to 1870, the average price of salt exported had been 11s. per ton, in the following quinquennium, 1870 to 1875, the average was 14s. 10d., lowest 10s. in 1871 highest 19s. in 1873.

The exports still continued to increase. The figures for 1860 and 1870 have already been given. In 1875 the quantity had still further increased to 917,514 tons. Under these attractive conditions, production was greatly stimulated; established works were extended, new works were built. The number of pans, as the vessel, in which the brine is boiled are called, had been 752 in 1867, in 1876 they amounted to 1311. This increase in nine years of 76 per cent. in pannage did not, however, fully represent the increase in productive power, for the newly erected pans were larger and therefore of greater capacity than the old. From an average export value of 15s. per ton in 1875, salt fell in 1876 to 12s., and in the following year to 11s., that also being about the price in 1880, whilst for the quinquennium, 1875 to 1880, the export average was 11s. 7d. per ton.

In 1877, according to the governmental return (Mining and Mineral Statistics), [the quantity of white salt and salt in brine used for alkali raised in the United Kingdom was 2,735,000 tons. Production was then at its zenith. Since that date, although there have been some ups and downs in the tonnage, the tendency of the trade has been downwards. In 1899 the quantity was 1,914,893 tons of salt and salt in brine. In 1880 the quantity of boiled salt exported was 1,050,000 tons as against 760,000 in 1870, an increase of 38 per cent. This increase was not proportionate to the increase of pannage before referred to. The power of effective production had now far outstripped the demand. Among the causes of the decreasing export demand were the development of the salt fields of Germany and the United States. Germany, during the decade 1870 to 1880, had increased her export trade $2\frac{1}{2}$ fold, from 40,000 tons to 100,000 tons. The demand for salt for the United States was also being lessened by the development of salt fields there. In 1840 the quantity produced in the States was 150,000 tons, in 1870 it amounted to 400,000, and in 1880 to 670,000 tons.

Reduction in demand with increase in supply, led to lower prices and diminished profits, and this in turn led salt manufacturers to enter into agreements from time to time by which prices were fixed on what the manufacturers considered a remunerative basis. Idle plant would, however, sometimes tempt a manufacturer to terminate his agreement and to apply profits gained thereby to the extension of plant, in the hope that his profits would in the aggregate be increased by a larger tonnage at a smaller rate of profit per ton. The majority of the

members of the salt trade did not seem to clearly recognise that the industry was over built, and that the great increase in demand which they had experienced was in some measure transient and due to accidental causes.

A writer in the *Liverpool Courier*, on April 17th, 1889, some six months after the establishment of the Salt Union, wrote :

"Matters by no means improved between 1881 and the establishment of the Salt Union last year. Several times the proprietors attempted to establish a 'ring,' but just as invariably did jealousies and a desire to secure special advantages break up the combination. Considerable fluctuations in prices followed, but as the superiority of the Cheshire salt trade depends upon the natural superiority of the product as well as the fact that in the great salt markets abroad there is no competition, increase of prices was found to have no effect upon the export."

The writer of the foregoing may by his penultimate sentence have meant to state that in some of the years to which he referred decrease in price did not prevent decrease in tonnage. The qualities exported and their value were in the quinquennium prior to the Salt Union.

	Tonnage.	Value. £	Average price per ton. s. d.
1883	1,004,313	645,009	12 9
1884	947,410	611,537	13 0
1885	924,869	672,427	15 8
1886	804,807	587,962	14 7
1887	818,713	524,860	12 10

Average price for quinquennium 13s. 9d. per ton. It will be observed that in the period the export tonnage had decreased by 185,600 tons, or 18.48 per cent.

In 1888, there was an increased competition among the manufacturers with consequent reduction in price. There were rumours of the formation of a combine or trust, whilst in view of a possibly higher range of price, extensive contracts were entered into at the old rates. In 1888, there was an increase of 80,000 tons in the exports, the quantity being 898,671 tons, value £485,915 or 11s. per ton. A large number of members of the salt trade, as well as the public, doubtless shared the view of the writer in the *Courier*, that "in the great salt markets abroad there is no competition." More careful consideration of the position would have shown that continental production had also increased largely, that the 1,700,000 tons estimated to have been produced on the Continent in 1830 had become over 4,000,000 tons in 1885, that Germany was still increasing its export trade from 40,000 tons in 1870 to 100,000 in 1880, and to 155,000 in 1887; and that from South-West Europe of special kinds and qualities there were exported 400,000 tons yearly. In Asia and America salt fields were being developed. India was producing 500,000 tons yearly, and the United States was in 1888 producing 1,050,000

tons as compared with 670,000 in 1880, 400,000 in 1870, and 150,000 tons in 1840.

It was under such circumstances that the Salt Union was incorporated on October 6th, 1888, with a share Capital of £3,000,000, in 100,000 7 per cent. Preference shares of £10 each, and 200,000 Ordinary shares of £10 each, and a 4½ per cent. Debenture issue of £1,000,000. The object of the company was stated to be the consolidation of

“the undertakings of the salt proprietors of the United Kingdom, with a view to ending reckless competition, which injuriously affects the salt industry without conferring any adequate advantage on the public.”

Agreements with some sixty-five persons or firms were scheduled in the prospectus, in which it was stated that

“some of the salt firms have been established upwards of a century, their salt brands are known throughout the civilised world, and the benefit of their personal business connections will, for the most part, be preserved.”

The gentleman who reported on most of the properties, and who is on the present Board of the Union, stated in a report quoted in the prospectus :

“It has long been evident to all conversant with the salt trade, that the only bar to its great success has been disunion amongst its members. During the intervals that associations have prevailed, large fortunes have been made. The company, by uniting practically all the Union's works, will secure that unity which has been lacking, and will, by preventing reckless competition, secure prices for salt, which, whilst most amply paying all the shareholders, will not be felt burdensome by the purchasers. Few trades in the country are capable of being so easily united and worked, and no trade can earn such good dividends without raising prices to a prohibitory or injurious point.”

Competition amongst the salt manufacturers had, it was stated, so reduced prices that in some cases some qualities of salt were being sold at less than cost of production. The advances in price made by the Union were very substantial, particularly in the home market, and in a proportionate degree also in foreign markets. Buyers, anticipating this increase, had in many cases covered their requirements by contracts, so that the increase in price did not become immediately operative.

The *Economist* of October 13th, 1888, in criticising the prospectus, said :

“We are not, of course, denying the right of the salt proprietors to combine if they see fit. In our opinion, they are using the wrong remedy. The natural cure for such headlong competition as that which is alleged to prevail in the salt trade is the gradual elimination of the weakest producers. Any other remedy is, we are certain, predestined to ultimate failure.

If, however, the Syndicate believes otherwise, let them try their experiment. . . . It is to be remembered, however, that the competition has avowedly

been the result of over production, and if that be the case, the combination can work upon prices only by reducing the supply into nearer accordance with requirements."

An immediate consequence of the formation of the Union, and of the increase in price, was that the Salt Makers' Association, which had previously been almost entirely a friendly society, became a federated Trades Union. Its membership was largely increased, its administration became more effective, and it was able to obtain largely increased rates of pay for its members.

Shortly after the Union was formed complaint was made through the columns of the newspapers by wholesale purchasers of salt, that the price charged for their supplies was higher than the prices which it had been reported had been fixed by the Union. It then appeared that the majority of the vendors had, in selling their businesses, stipulated under various and varying covenants and conditions, that they should act as purchasers, selling agents, or brokers for the Union, and in one case a certain area had been reserved by a vendor as a district in which he was to have the sole right of selling rail-borne Union salt. The vendors who had these covenants were called distributors, and as it soon became evident to the directorate of the Union that they could not fix a universal price for the same quality of salt, irrespective of quantity, time, place, or other circumstances without creating trade irritation and inviting competition additional to that which had already begun to manifest itself, difficulties soon arose between the distributors and the Union.

It was considered by those mainly instrumental in forming the company that the whole of the effective rock salt and brine lands in the United Kingdom were being merged in the Union, but the great increase in price, particularly in the home market, gradually brought into cultivation disused and less advantageously placed salt lands, and also districts in which by diligent search brine lands had been found. The quantity produced by competitors was at first small, and being offered at a lower price than Union salt, commanded a ready sale. Competitors came into existence in Cheshire, Worcestershire, Staffordshire, Durham, and Antrim, and salt deposits at Fleetwood and Barrow were developed. Writing at the time of the formation of the Salt Union, Professor Thorold Rogers pointed out the probability of additional salt deposits being worked, and in his *England's Industrial and Commercial Supremacy* said :

"It is a rule in production which speculative economists are apt to entirely lose sight of, that existing industries, however they may have originally come into existence, make desperate efforts to survive, and will endure a long period of depressive prices before those who are interested in them are willing to witness a total loss of capital they have invested in the undertaking. I should infer, therefore, that the power of combination as a check to the reputed evils of competition is precarious, temporary and liable to ruinous reversal."

Abroad further impetus was given to the development of German

salt properties for export purposes, and Russian, Asiatic, American, and Australian salt properties for native use. The German Empire Statistics (September number, 1890,) gave as one of the chief reasons for the great increase in the export of rock salt from Germany, the organisation of the English Salt Union. It pointed out that as regards the export to India, the increase had been aided by the import of rice from that quarter to Gestemunde. The same return showed the increase of the salt productive power of Germany as follows:—

	Mines.	Salines.	Factories.
1880.....	9	61	10
1890.....	14	64	4

The rock salt production which had increased to 415,000 tons in 1888, further rose in 1891 to 667,000 tons. France also was increasing her output. This had been 632,000 tons in 1888, and became 811,000 tons in 1891, and 974,000 in 1892.

To Russia a considerable quantity had been exported (even in 1833 it was 35,326 tons), but the quantity was declining. The Russian Consul-General in St. Petersburg in a recent report stated:

“The Russian salt industry began to develop as an important industry in March, 1860, when by an Imperial ukase the excise duty on the same was abolished. Thus, during the ten years 1871 to 1880, whilst the excise was still in force, the production of salt in Russia did not exceed 698,000 tons, whilst from 1888 to 1897, it amounted to nearly double, and the price decreased accordingly.”

The export to the United States was also decreasing. The increase in salt production in that country has already been referred to. In 1885 the British salt exports to the States amounted to 235,291 tons. In 1897 it was 92,862 tons, and in 1900 it was 81,260 tons. As by way of comparison it may be mentioned that the export to the States in 1833 was 98,109 tons. Returns for 1889 showed the total export for that year as 666,757 tons, value £538,513, an average of 16s. 2d. per ton, as compared with 898,671 tons at an average of 11s. per ton in 1888. In 1890 there was a slight rally, the tonnage increasing to 726,021, value £652,671, or 17s. 11d. per ton. In 1891 these figures were not maintained, but the tonnage was slightly higher than that of 1889, it being 671,265 of the value £596,408 an average of 17s. 9d. per ton.

In 1891, there was divergence of opinion on the Board of the Salt Union with regard to the “policy of prices.” The minority retired, and at the extraordinary general meeting on August 8th, 1891, the then Chairman stated the future policy of the Union and *inter alia* said, “The first thing the directors think necessary in foreshadowing the line of their policy, is that there should be a careful revision of prices with a view to reduction when and where necessary. If we are able to come to an agreement with our distributors, which we hope we may, the revision of prices in different districts will be made very much easier.” This policy was endorsed by the share-

holders at that meeting. As Mr. McCrosty pointed out in the *Contemporary Review* for March 1899, in his article on "The Growth of Monopoly in English Industries," the general tendency in all the large combinations has been to secure larger profits for the manufacturers, not only by the barrier created to prevent fall of prices, but also by the elimination of middlemen's profits and the creation of direct relations between producer and consumer. Among the other examples cited by Mr. McCrosty may be mentioned the Cycle and Sewing Machine trades, Breweries in their relations to tied houses, Chemists in relation to the Mineral Water trade and Liptons.

In the case of the Salt Union, however, an additional race of profit sharers, was created, or, to speak more correctly, vendors were allowed to retain interests for themselves or their sons as privileged distributors. Although, judging from the more recent speeches of the former Chairman of the Company, the covenants of most of the vendors have been acquired, the Company still has some privileged distributors.

The policy of revision of prices, owing partly to the continuance of distributors could not be carried out with great success. Supply in excess of the demand had become the normal rule prior to the Union, and whilst there was a continuously decreasing demand the higher range of prices created competitors who offered additional supplies. About 1880, of the salt produced in the United Kingdom, 45 per cent. was exported, 35 per cent. was used in the industrial arts and for agricultural purposes, and 20 per cent. was used for domestic purposes, such as cooking and condiment.

In each of these spheres causes were operating to reduce the demand.

The diminution in demand for export arose from a variety of causes. In addition to those already referred to may be mentioned the recrudescence of protective ideas and the fiscal regulations increasing, or as in the case of the United States, reimposing, the duty on salt, the development of salt properties in other countries (*inter alia*, Germany, Russia, United States, India, Red Sea ports, South Australia), and the extensive change from Sail to Steam as the motive power in shipping. Many of the new steamers were fitted up for water ballast, and to a fairly large extent cheap ballast (or even free) freights for salt were reduced in number.

The largest quantity of salt used in the industrial arts had been in the manufacture of alkalis.

Up to 1875 solid salt only was used in this manufacture, but since that date there has been a continuously and steadily increasing use under the Solvay process of salt contained in brine for this purpose. In these cases the alkali manufacturers have settled on brine lands and have dealt with the brine direct. The tonnage of ordinary salt manufactured has been correspondingly diminished.

In 1880 the amount of brine decomposed by the soda ammonia pro-

cess was only 270,400 tons. In 1896 it had increased to 428,600 tons. In 1890 the amount of solid salt decomposed for making alkali by the older methods was 602,769 tons. In 1896 it was only 360,929 tons.

In the home markets, owing to change of taste on the part of the public, there was a lessened demand for salt in the curing of bacon and other meats and for cheese and butter making. Not only was less salt being used for these purposes, but the import of provisions prepared abroad was increasing.

Increased sources of supply and considerably decreased demand with intensified competition quickened reductions in price. The legal obligations of the Union and its heavy nominal capital burden was an assurance to other salt manufacturers that its prices would be maintained substantially above cost.

In 1892 and 1893, the exports showed further, but lessened, declines, the tonnage being 654,136 and 636,135 and the values £539,262 and £504,500, the prices per ton being 16s. 6d. and 15s. 10d. respectively. In 1894 owing primarily to some improvement in the Indian market the quantity exported increased to 768,999 tons, value £406,105, or 15s. 9d. per ton. The improvement was not maintained in 1895, when the quantity fell to 740,548 tons, value £546,219, or 14s. 9d. per ton. In both these years, however, there was considerably increased trade with the United States, owing to the duty having been taken off salt under the Wilson Act. The duty has unfortunately since been reimposed.

Protected by the duty, the salt manufacturers of the United States have largely increased their works, and this increased production would largely hold British salt in check should the duty be again abolished. Indeed the position of the salt manufacturer in the United Kingdom and the States seems very similar. Thus a correspondent of the *Financial News*, writing from New York, under date April 4, 1900, says :

"Owing to peculiar natural conditions, the National Salt Company, commonly called the Salt Trust, although it controls 90 per cent. of the American production, and regulates current prices, does not appear to be in a position to protect its industry against extensive competition. . . . The strength of the independents lies in the fact that for several years there has been an over-production of salt, and prices have been maintained at their high level only by restricting the output. . . . Of thirteen blocks in Warsaw district, not more than six are in operation. Thus, it is a question, not of supply and demand, but of putting salt in the market more cheaply than the Trust, which it is said can be done."

In 1896 the export of salt from the United Kingdom amounted to 660,935 tons of the declared value of £470,330 an average per ton of 14s. 3d. In 1897 the quantity was 668,685 tons, value £466,533, an average of 14s. per ton. Speaking of the trade of the Union at the annual meeting in February, 1898, the then chairman stated that during the last seven years the average price had fallen 3s. 4d. per ton. This

of course included both export and inland salt. At the same meeting the chairman of the company comparing 1891 (when the then Board became responsible) with 1897 pointed out that the policy of his Board as regards distribution and price for Indian salt had been successful in maintaining the export tonnage to that country; for comparing these two years German salt tonnage had decreased 50 per cent. whilst British had increased 10 per cent., although this had involved a decrease of 7s. per ton in price.

In the early part of 1898 a Salt Union distributor, who was also a shareholder in that Company, imputed the position of the salt industry in this country to maladministration on the part of the Salt Union, complaining that its power to sell salt was constantly decreasing. Supported by the majority of the shareholders who voted, he nominated as a new Board a number of Liverpool gentlemen of whom he said "their commercial standing and experience will enable them within a reasonable period, to bring about an improvement in the position and prospects of the Company." This prognostication has, however, not been realised, for the power of the Salt Union to sell has still further decreased owing in part to the continued shrinkage of the salt trade. Thus the tonnage of salt sold by the Union, which was 1,014,000 tons in 1897, fell to 967,000 in 1898, to 924,000 in 1899, and to 853,000 tons in 1900. The tonnage and value of the salt exported from the United Kingdom during the last three years has been

	Tons.	Value. £	Average price. s. d.
1898	689,178	460,319	13 6 per ton.
1899	628,445	447,162	14 2 „
1900	547,937	457,830	16 9 „

The increase in the price of salt during the last three years has been due in some measure to the increase in cost of manufacture consequent upon the increased cost of fuel, but more largely to temporary arrangements or agreements as to price entered into by the salt manufacturers of the country. These increases have naturally decreased the power of the British salt manufacturer to compete in foreign markets. The difficulties with which he has permanently to contend were thus described by a writer in the *Liverpool Journal of Commerce* so recently as October last:

"The source of the troubles in the English salt trade are the seemingly inexhaustible supplies of cheap salt which have been opened up in America, on the Continent, in Arabia, Africa, and Australia. Instead of England being the principal source of supply for these countries, they are not only supplying themselves with salt, but are offering their abundant supplies to consumers in other countries."

It cannot be anticipated that British salt manufacturers will strive to retain the export trade in salt where, owing to the competition of other salt-producing countries, a price cannot be obtained which covers

cost of production, and includes a reasonable ratio of profit. Prices fixed, however, with a view of showing profits on a capital value based on a fictitious monopoly, prevent approximation to foreign competitive prices, and are injurious to the permanent interests of the British salt trade. Revision of export prices, with some increase in export tonnage, may not unnaturally be looked for, if the Salt Union reduces its capital and brings that account more into conformity with present day values.

J. M. FELLIS

"DESCRIPTION OF COREA"

SUCH is the title of a Russian work, just issued (in 1900) at St. Petersburg and "compiled in the *Chancellerie* of the Minister of Finance." It consists of three volumes of over a thousand pages, beginning with the history and geography of Corea and ending with a list of some seven hundred works on that country in various languages. A map, based on one issued in 1883 by Peterman's *Geographische Mittheilungen*, but augmented and corrected by the Russian Government, according to the travellers Vebel and Delotkevich, is appended. This production shows that M. de Witte takes a deep interest in the "Hermit Nation." As the leading publications on Corea are in English, it may perhaps be opportune to refer rather to those portions of the compilation which are of Russian origin, and possess an economic and financial interest.

We are told that difficulties encountered by all the Powers in concluding commercial treaties were overcome by Japan in 1875. In 1882 America, followed by the principal States of Europe, also made conventions to promote trade. Li Hung-Chang recommended the German Mollendorf as director of Korean Customs. Russia sent Weber with credentials in 1885.

We next come to recitals of hostile intrigues between Conservatives and Radicals, the former evidently backed by Russia and the latter encouraged by Japan. The so-called "Club of Independence" formed at Seoul, whose professed object was to spread useful knowledge and advance education, soon took a prominent part in all political events.

The King of Corea, fearing for his personal safety, as the Queen had been murdered, sought shelter in the Russian Consulate on the 11th of February 1896. On the 1st of February 1897, he left the Consulate and occupied his new palace. The Russian compilers state that the king "begged the Russian Government to send him instructors from Russia to reorganise his army, and also an experienced financier to control the financial and customs administration of Corea." The Russian Alexeieff therefore superseded the Englishman McLeavy Brown. In 1898 the Russian Government recalled her financial adviser and military instructors, as Corea signified it could dispense with foreign support.

Russia and Japan signed an agreement admitting the independence of Corea, and binding themselves not to interfere in the internal affairs of that country.

As regards the population of Corea the provincial authorities kept lists or registers, which were usually renewed every three years, for fiscal purposes. This official census purposely underestimated the number of inhabitants in order to enable the provincial administrators to put a portion of the taxes into their own pockets. "Another reason for the inaccuracy of the registers which were made up for the collection of taxes, was that, notwithstanding the heavy penalties imposed on those persons whose names were omitted, the population tried in every way to evade this formality, and even to keep out of the way of the officials, who robbed the people by imposing on them forced labour, by exacting twofold and threefold more than the legal taxes, by demanding bribes in cases of litigation, and by seizing the savings of the people, to whom money was advanced on property without giving them a chance of paying off the debts."

These registers, such as they were, were destined for the exclusive information of the government, and became known in only very exceptional cases to private people or to the foreign press.

According to the so-called "last census" of the Government, the total population of Corea was estimated at about 10,500,000. In 1897 the population of Seoul, the capital, consisted of 220,000, and of 3,250 foreigners, of whom more than 3,000 were Chinese and Japanese. As is generally known the people are tall and well built, of Mongolian stock, speaking the Turanian tongue with the addition of many Chinese words. They are said to be good-natured, and ready to assist their neighbours in trouble, but passionate, vindictive, and suicide is common.

Being brave they might become good soldiers, if trained by experienced officers. They are lavish with money and patient in poverty. Greediness and drunkenness are national failings. Smoking is common among both sexes. Hospitality is a sacred duty, and is even carried to excess, which encourages idleness. Garrulity and gossip are very prevalent. Jdan Pushkin says their immorality is revolting. Half the inhabitants do not know who are their parents. Prostitution is the rule and unnatural crimes are common. There is, however, great diversity in their moral and intellectual qualities, as well as in their outward appearance. Curious to say, a wife, although relegated to seclusion, and considered an inferior being, has extensive proprietary rights as regards her husband's fortune, and is, in some cases, treated with remarkable deference. Respect and veneration for ancestors is looked upon as a cardinal virtue, quite as much as in China. Tea is not a general beverage, and can only be obtained in towns where Chinese and Japanese residents are to be found. Among the people there is a strong spirit of co-operation. Slaves exist to this day, but, as a rule, are not badly treated.

Shamanism, or natural religion, was followed by Buddhism, and the

teaching of Confucius among the higher classes. Roman Catholic Missionaries were there as far back as 1593. Although persecuted they renewed their missionary work, and are succeeded by evangelists of other Creeds.

The travellers Podgio and Loubenzov describe a Corean's dress as consisting of a jacket, over which is worn a long *halat*¹ with slits in the sides, broad sleeves, and a sash, more or less ornamented, or sometimes a plain hempen cord. The trousers are broad and short with narrow linen gaiters. Sandals made of straw complete the costume. The common people dress in white, and only put on *halats* on high days and holidays. The officials wear various colours. As the weather becomes colder, or when people pay state-visits, they put on a greater number of *halats*, etc. one on the top of the other, as in other Eastern countries.

The Coreans have four meals a day. Boiled rice and half a dozen kinds of vegetables, seasoned with pepper, generally form the menu. Rich people add meat, fish and fruit to this regimen. Vegetable oils are used, but the productions of the cow are not in vogue. Uncooked meat and fish, as well as fowls roasted, just as they are, neither plucked nor trussed, are considered the proper thing. Chestnuts, nuts and even acorns, also honey, as there is no sugar, and small melons, eaten with the rind, are popular food.

"There is no possession of land by private persons in Corea *de jure* (a not uncommon anomaly in Asia), because according to ancient usage all land belongs to the head of the State, *i.e.*, it is government property. In practice, however, the right of possession does exist, because whoever holds the land has the power to sell, give away, bequeath, divide, and in fact do what he thinks proper with it." It was only in 1895 that an official order was issued to the effect that land sold by one person to another should be registered and that title deeds should be made out.

The principal occupation of the country people is, of course, agriculture in all its forms, beginning with the culture of grain (rice, wheat, barley, etc.) and vegetables, and ending with medicinal plants, more especially *ginseng*, the root of which has exciting properties and is largely used by the Chinese.

"With respect to agricultural labour, a Corean may more properly be called a market-gardener than a farmer. It is true that as regards careful culture of the land, for which Chinese and Japanese agriculturists are renowned, the Corean *modus operandi* is rough, but all the same it is superior to the methods practised by the peasant population in Russia." (*sic*) The land is all in small holdings. Larger estates belong to officials, who let them out to the peasants. In Southern and Central Corea there are two harvests in the year. The cattle are fine and well cared for, except the horses. The Coreans employ cows as well as oxen, only as beasts of burden, for ploughing,

¹ Halat or Khalat—the well-known Eastern garment, like a dressing gown.

etc. The sea and the rivers abound with fish, but the Koreans are poor fishermen. The Japanese make much money out of this industry.

The sea-weed, which the Russians call sea-cabbage, is an important article of trade. There are no game laws and sport is free, but poor people alone make use of it. Some of them are consummate sportsmen. The sable and other animals give valuable furs.

Gold, copper, coal, iron and galena abound. American, British and German Companies are now working some gold mines. Industry and trade are primitive and mostly in the hands of foreigners, especially of the Chinese and Japanese, whom the Russians call born merchants. They accuse the Japanese of falsifying trade marks and underselling everybody by bad, cheap manufactures. So-called wine and spirits are among the principal productions of the Koreans. Trade by land with Russia and Manchuria is unimportant and appears to have fallen off as regards export of cattle from Korea, although the Russians had obtained some commercial privileges. Opium is working its way from China into Korea, and the richer classes in larger towns, like Seoul and Chemulpho, are becoming opium-smokers.

The encouragement given by the Korean Government to the circulation of Japanese money does not appear to please the Russians. The coin called *yen* seems to be the standard and to be worth a little more than two shillings.

The third volume contains the text of the treaties concluded between Korea and other States, the agreements between Korea and Russia, notes about the fauna and flora, the Korean alphabet, a list of the industrial concessions granted to foreigners, tables of trade and finance, also engravings of coins, weights, measures and other special information, which might be useful for reference. The following table shows the revenue and expenditure of Korea for the year 1899.

REVENUE IN 1899.

	Estimated. Yen.	Actually received. Yen.
1. Land-tax	2,773,642	2,699,089
2. do. arrears and house-tax arrears ...	613,940	
3. House-tax	465,640	272,528
4. Customs, duties, and shipping dues	800,000	902,955
5. Tax on gold mines	5,000	—
6. Excise on ginseng	150,000	—
7. Various taxes	300,000	26,935
8. Sundry petty items	50,000	57,402
9. Income from the mint	200,000	280,000
10. Loans	—	—
11. Casual incomes.....	—	43,293
	5,458,222	4,282,202
Surplus from 1898.....		1,001,743
Total		5,283,945

The revenue and expenditure of the court and provincial organisations are not included in the above table.

The total actual expenditure for 1899.....	4,521,257
The revenue exceeding expenditure by	762,688

E. CAZALET

JAPANESE FINANCE AND ECONOMY

GENERAL REMARKS.

AFTER the successful issue of the war with China, the nation was involved in so-called "post bellum enterprises," both on the side of the Government and the people. At first everything seemed to prosper, and nothing was left untouched. The financial and economic questions attained paramount importance. Many a time cabinets changed, parliaments were dissolved, and finance ministers were altered.¹ Too rapid expansion is now having its effect. Remedial and retrogressive measures are now the topics of the day. Both statesmen and business people are bothering their heads how to make good the result. Now let us briefly see the course of events from the close of the war with China in March, 1895, up to the present time, viz. May, 1901.

I. EXPENDITURES AND REVENUES.

Before the war the Budget averaged about 80,000,000 yen (yen about one-tenth of a £); but from 1896 to 1897, the expenditure suddenly rose to 193,435,716 yen from 85,000,000 of the previous year, the chief causes of the increase being the expansion of the military and naval armaments, establishment of Kioto University, carrying out of river works scheme, colonization of Hokkaido, improvement of railways and extension of telephone service, establishments of agricultural experiment and silk-worm culture offices, encouragement of trade, and establishments of exhibition rooms and iron foundry. From the above it is clear that the Government did not neglect the development of the country's resources, although much stress was laid on the perfection of the means of defence. The ordinary revenue of this year being only 100,700,000 yen, the deficit stood at 92,640,000. It was covered by the fund transferred from the extraordinary war fund, the revenue from Formosa, the indemnity paid by China, public loan and sur-

¹ Count Matsukata (March, 1895, to August, 1895), Viscount Watanabe (August, 1895, to September, 1896), Count Matsukata (September, 1896, to January, 1898), Count Inouye (January, 1898, to July, 1898), Mr. Matsuda (July, 1898, to November, 1898), Count Matsukata (November, 1898, to September, 1900), and lastly, Viscount Watanabe (September, 1900).

plus fund of the preceding year, and the increased taxation, such as registration tax, profession tax, saki tax, monopoly of leaf-tobacco, although it was the first item only which came into force in this year.

In the Budget for 1897-98 the expenditure rose to 249,547,285 yen, embodying in itself the expenses for the armament expansion of the second period, the Hokkaido railways, for the Kioto University, for the carrying out the leaf-tobacco monopoly, for the establishment of new legations and consulates, and for the improvement of customs services. The revenue was estimated at 249,524,670 yen, and the deficit was to be met with the surplus fund of the preceding year and the Chinese indemnity.

The Budget for 1898-99 was drawn up with 212,114,119 yen as receipts, and 233,723,708 yen as expenditure. But this did not become an actuality on account of the dissolution of the Parliament, and the Budget of the previous year was carried out according to the provision in our Constitution. Thus, the scheme to increase the rates of land and saki taxes fell through, causing the deficit of 20,616,178 yen in the supplementary Budget, which compelled the Government to make use of the Chinese indemnity and temporary loans. In order to avoid a large deficit in the coming fiscal year, another attempt was made to increase taxes, but it met with the same unfortunate fate as before. In the Budget for 1899-1900, the revenue stood at 246,953,074 yen, while the expenditure stood at 246,451,706 yen, leaving a surplus of 501,368 yen. But, owing to the repeated failure of the scheme of increasing taxation, there was a possibility of about 37,000,000 deficit being ultimately inevitable. This compelled the Finance Minister to bring forward a new scheme aiming at an additional revenue of about 42,000,000 yen from taxes on land, income, saki, registration, soy, the Bank of Japan, as well as from tonnage dues, and the monopoly of leaf-tobacco and the post and telegraph services. The gap was filled again by borrowing from the indemnity fund. As the first scheme of increased taxes aimed at obtaining 33,576,000 yen, the total increase of taxes intended came up to about 75,000,000 yen.

The Budget for 1900-1901 set forth 254,549,818 yen as receipts, and 254,549,817 yen as expenditure. Thus, by the coming into force of the increased tax laws, incomings and outgoings were nearly equalized, making firmer the basis of the national finance. The important items in expenditure are expenses for legations and concessions, for State-maintenance of prisons, for river works, for education, railways, and customs services, as well as for subsidy to local waterworks and navigation companies.

In the Budget for 1901-1902, the receipts are estimated at 277,497,000 yen, and expenditure at 275,887,000 yen, thus leaving a surplus of 1,609,000 yen. The chief items of the increased expenditure are the expenses related to the Boxers' affair, and to the iron foundry, telephone, prisons, etc. In order to meet expenditure, an increase of 6,293,575 yen is expected to be obtained from the enhanced rate of

saki tax, customs, and leaf-tobacco monopoly, as well as from the sugar and beer tax. By 1903-1904, the full amount of over 20,000,000 is expected from the taxation. Thus the third scheme of increased taxation, with 75,000,000 yen of the first and the second, will give the result of little over 90,000,000 yen as the total of the increased taxation. However, until the whole amount is realized, loans are to be resorted to. This state of affairs gave rise to the difference of views between those who advocate the negative policy of stopping works which can be delayed, and those who uphold positive views of pushing on.

II. SPECIAL COMPTABILITÉ.

Besides, there are 32 special comptabilités whose accounts are kept apart from general receipts and expenditures. They will be passed over on account of much complexity, and of less importance, except the Formosan administration, Chinese indemnity, and the War-vessels Funds.

In 1897-98 a special comptabilité was established for Formosa, with the view of gradually decreasing the amount of the deficit filled up from the Home Government by the practice of economy in expenditures on the one hand, and on the other by increasing the revenue of the island. This self-supporting scheme has been beneficial to both the new colony and the mother country, and the subsidy by the latter, which was 6,000,000 yen in 1898-99, is on the decrease, and will cease altogether in 1910-11. In the Budget for 1899-1900, 35,000,000 yen were granted to be issued as national debt, and to be devoted chiefly to the construction and improvement of railways and harbour works of the island. By the way, a hopeful future lies before the island, productive power being larger than expected. Besides sugar, tea, camphor, and rice, she abounds in minerals, and if well managed and explored thoroughly, she may be a treasure to Japan.

The total sum received from China as indemnity comes up to 365,529,067 yen. But they were not sent over at once to Japan, in order to avoid disturbances in the money market, but were transmitted sometimes by means of exchange operations and sometimes by the shipment of bullion. At one time the Government transformed the debt into securities, or deposited it in the hands of the London agency of the Bank of Japan, borrowing from the latter a corresponding amount of convertible notes at home. At last it became expedient to establish a separate comptabilité for this fund, and it was so carried out by a law passed in March, 1896. The way in which the indemnity fund was spent concerns chiefly the military and naval expansion. But some part was devoted to economic uses, such as debentures of the Industrial Bank of Japan, to the amount of 3,639,960 yen, when it was deemed necessary to relieve the money market in 1897 and 1898. Besides, some portions of the fund were invested in Treasury bills in London, some were used in giving facilities to exchange operations, and some were utilised to cover expenditure for a time. As permanent

measures, out of the indemnity 30,000,000 yen were set apart as the War-vessels, Torpedo-boats, Replenishing Fund, 10,000,000 yen as the Education Fund, and another 10,000,000 yen as the Calamities Reserve Fund. The half of the first fund is to be kept in gold in order to meet the contingency with promptitude. It is true that the gold was borrowed for a time from the fund in order to carry out the new standard. But the silver obtained by the conversion of one-yen coins was sold, and with this proceed the debt to the fund was paid back. So it cannot be said that the new standard encroached on the indemnity fund.

III. NATIONAL DEBT.

At the close of 1897-98 the Government was confronted with the necessity of issuing about 262,398,000 yen of public debt, mostly for the construction of railways. But owing to the stringency of the money market, no more than 56,807,350 could be issued, and even this was mostly supplied from the deposits entrusted to the Treasury and the Chinese indemnity fund. In 1898-99 the stringency continued, so the estimated amount to be issued in this year, 79,292,028 yen, could not be realized, and the Chinese indemnity was temporarily made use of. In 1899-1900, the Finance Minister was placed under the necessity of issuing 100,258,889 yen, but still the state of the money market did not allow its realization. It was decided to issue loans abroad, and a bill was passed in 1899, and £10,000,000 sterling was raised in London at 4 per cent. in June of the same year. But still 107,960,993 yen remained to be issued for the Imperial Treasury, and 35,000,000 yen more for Formosan public works. The stringency continues still, so the country is now placed in a dilemma between issuing loans abroad, or stopping for a time the progress of various Government works contemplated. In case it is decided to invite subscribers abroad, foreign capitalists need not be apprehensive in the least, because the money so imported is to be spent mostly on railways and other profitable purposes.

Let us see how the figures stand for the last ten years.

Year.	Amount issued.	Amount redeemed.	Amount unredeemed.	Amount per head.
	Yen.	Yen.	Yen.	Yen.
1891	25,347,450	10,163,996	275,236,669	6·804
1892	19,462,450	20,073,110	274,626,009	6·744
1893	40,850,350	37,582,047	277,894,311	6·763
1894	18,987,100	30,068,360	266,814,851	6·447
1895	32,500,000	16,078,798	283,236,053	6·774
1896	144,234,000	35,356,158	392,113,895	9·276
1897	105,928,875	70,920,835	427,121,934	10·001
1898	57,453,378	72,761,052	411,784,260	9·526
1899	61,123,350	56,625,736	413,281,873	9·446
1900	100,365,750	10,446,974	503,200,649	11·501

From the above table it is clear that Japan is not yet too much in debt, and that she has been eager to pay back her debt. Moreover, debts owed by her to foreign countries are £10,000,000 sterling and a small amount (£4,300,000) issued for the war loan. According to the financial scheme already fixed, her debt is to be totally redeemed in the course of fifty years. Even granting that circumstances may change, and some alteration of this scheme may become necessary, her capacity is ample enough to pay off liabilities, provided her finance be well managed. Her present difficulty, if it should be so called, is not serious.

IV. BANKING.

In order to make convertible the paper currency of Japan, the National Banks were ordered to give up their privilege of issue at the expiration of their term or at their option, and to redeem their notes with those issued by the Bank of Japan, which are convertible into gold. By 1899 all of them were changed into ordinary banks and their notes ceased to circulate.¹ The Government then began to work for central and local industrial banks in order to give facilities to agriculture and industry, as well as to turn the money spent for *post bellum* enterprises into useful channels by means of the debentures issued by these banks.

The laws for these banks were passed in 1896, and the Central Industrial Bank was opened in June, 1897, with a capital of 10,000,000, its quarter being paid up for the time. This bank being established for public benefit and not allowed to charge high interest, its profits were small at first, and the Government paid subsidies in order to enable the bank to pay 5 per cent. dividend. But since June, 1899, the bank commenced to pay dividends of 6½ per cent., and was able to pay 9 per cent. for the term ending December 1900. In 1898, when the cotton mills in Osaka were in great need of capital, debentures of this bank were purchased by the Government, and the money was supplied to them. This was a great stimulus to textile industry, and since then the bank is doing a tolerably good business, as is clear from the following figures :—

	Yen.
Debentures outstanding in March, 1901.....	10,622,140
Loans " " "	12,213,970
Out of this lent to public bodies	2,409,392
" " agriculturists	3,761,348
" " manufacturers	6,043,229

The Local Industrial Banks were not opened at the same time with the central institution, on account of the work of organization being entrusted to local authorities. But by December, 1899, every prefecture (45 in all) had an Industrial Bank. Their capital in all amounts to 27,920,000 yen (24,176,000 yen paid up), of which about 8,028,000

¹ By April, 1901, only 467,336 yen remained unredeemed out of 84,396,880 yen.

(actually paid 7,402,574) yen are supplied by the Government to the prefect in order to enable him to become a shareholder, to receive no dividends for five years. Although the debentures issued by them do not fare so well as those of the Central Bank, on account of their not being allowed to pay lottery premiums, yet their giving benefit to small farmers and artisans must not be overlooked. The figures thus stand :—

	Yen.
Debentures outstanding in December, 1900	630,000
Loans " " " "	19,200,808
Out of this lent to agriculturists	11,358,117
" " manufacturers	4,553,432
" " agricultural unions	1,112,660
" " industrial unions	301,123
" " public bodies	1,850,474
" " local unions.....	25,000

Since the acquisition of Formosa, the Japanese Government has not failed to develop the economy of the island, though there was much to be done in quieting oppositions and riots. As for the currency of the island, it was decided to allow the use of silver yen pieces, although, legally, gold is the standard ; and as there was no powerful banking institution, the Government decided to establish something like a central bank for the island, after the pattern of the Bank of Japan, endowed with the power of issuing notes convertible in silver yen. The law for the Bank of Taiwan (Formosa) was promulgated in March, 1897. But the state of market not being favourable for the call of its shares, the actual setting up was delayed. But by March, 1899, various enactments were passed empowering the Government to lend the bank without interest 2,000,000 yen in silver, and to subscribe 1,000,000 yen worth of the bank shares. By June, 1899, the Bank of Taiwan was established with the capital of 5,000,000 yen, its quarter being paid in, and began its business by September of the same year. Now the bank has become an indispensable financial organ of the island, as the figures for December, 1900, give evident proofs :—

	Yen.
Amount lent out to the Colonial Government	6,200,000
" " " public.....	1,471,711
" deposited.....	4,973,079
" of notes issued	3,690,871

It establishes branch offices in Kobe, Amoy, and various places in the island, besides entering into correspondence with the chief centres of commerce both in the West and East, and 8 per cent. was paid as dividend for the half year ending December, 1900.

The northern island, Hokkaido, was also supplied with a colonial bank by a law passed in March, 1899. The system is much like the bank in Algeria, and aims at the giving long and cheap loans, mostly to

agricultural undertakings. It is also empowered to issue debentures, and is subsidized by the Government.

The loans outstanding in March, 1901, are 802,195 yen, the particulars being :—

	Yen.
Instalment loans	704,557
Fixed period loans	67,040
Loans against securities	24,805
„ „ bills	5,793

Another institution was found necessary to give facilities for the negotiation of shares and stocks. A bill for the Japan Credit Mobilier was presented to the Parliament in 1900. The House added a clause by which the Government may endorse in case the debentures are issued in foreign countries. Owing to the ministerial changes and to the state of the money market, the establishment is put off for the present.

Since the war, a number of banks have made a rapid increase. The figures stood thus by the end of March, 1901 :—

Banks.	Number.	Total capital.
		Yen.
Bank of Japan	1	30,000,000
Yokohama Specie Bank	1	24,000,000
Central Industrial Bank	1	10,000,000
Local Industrial Banks	46	28,370,000
Bank of Taiwan	1	5,000,000
Hokkaido Colonial Bank	1	3,000,000
Savings Banks { Japanese	487	58,110,300
{ Foreign	1	1,250,000
Ordinary Banks—		
Joint Stock { Japanese	1,546	320,414,765
{ Foreign	7	3,164,450
Partnership { Japanese	64	15,485,500
{ Foreign	—	—
Partnership by { Japanese	136	9,969,474
Shares { Foreign	—	—
Commandite { Japanese	2	652,000
{ Foreign	—	—
Industrial { Japanese	120	8,352,520
{ Foreign	—	—
Total	2,414	517,769,009

It needs no argument that savings banks must be under strict control of the State in order to avoid abuses and to protect the deposits of the lower classes. The actual law being too lenient, a bill to revise it was presented in the Parliament before last, but the House adjourned ere it was passed. Early in 1901 a bill was prepared to be presented to the last Parliament, but it was postponed. The “run” began in some banks in Kiushiu, Osaka, Kyoto, and Nara, but things have not

become so serious as to be called a panic, especially by the timely help given by the Bank of Japan. In connection with this, a few remarks will be added about the Bank of Japan.

Since the increase of its capital to 30,000,000 yen in February, 1898, its sphere of operation has been much increased. By laws promulgated in March, 1899, the limit of note-issue on the documentary reserve was increased from 85,000,000 to 120,000,000 yen, and at the same time the Bank was obliged to pay as tax a part of its profits accruing from its note-issue to the State. Out of the increase of 35,000,000 yen, 15,000,000 yen was intended to be devoted towards discount of commercial bills at home, and the rest (20,000,000) towards commercial uses abroad, chiefly through the mechanism of the Yokohama Specie Bank.

Although much remains to be improved in the banking system, and careful discrimination must be exercised by them, yet their activity is fast increasing at the same time. For instance, bills cleared in Tokio and Osaka clearing houses were 252,000,000 yen in 1893, and 705,000,000 yen in 1896, but rose to 1,929,000,000 yen in 1900.

V. CURRENCY AND PRICES.

While Japan remained a *de facto* silver standard country, the fall of the white metal troubled her both in finance and general economy. The Chinese indemnity gave her the opportunity of changing the standard into gold, as the sum was paid in the yellow metal. The New Coinage Act was made public in March, 1897, by which the gold standard came into force in October of the same year, and the free coinage of silver was done away with. One-yen silver coins were converted between October, 1897, and July, 1898, to the amount of 45,588,369 yen, besides 29,505,453 of silver coinage notes issued by the Mint. This may appear too small when compared with 165,133,710 yen, the total amount issued. But nearly 100,000,000 out of the total issue were exported, mostly to China, where they are inevitably chopped and deprived of the form of currency.

Of 75,093,822 converted, most part were sold in exchange for gold, a part were transformed into subsidiary coins, and the rest sent to Formosa, Korea, &c., without any loss on the whole. As to the result of the change of the standard, many conflicting views are entertained. But it has been beneficial on the whole; it is a most mistaken view to assign to the gold standard the increase of the imports and the consequent efflux of gold. The excess of imports would have been much greater if we had clung to the silver standard, through the fall of silver and the consequent rise of prices. Prices, of course, rose a great deal, but this has been chiefly caused by the increase of consumptive power both on the part of the Government and the people since the war.

As is evident from the following table, the exchange with the gold countries was freed from previous fluctuation, while the trade with

them was increased. Neither was the trade with silver countries hampered as was feared by many opponents of the gold standard.

Month.	1893.		1896.		1900.	
	Prices.	Exchange with London.	Prices.	Exchange with London.	Prices.	Exchange with London.
		<i>d.</i>		<i>d.</i>		<i>d.</i>
January	100	32.0000	117	25.5285	158	24.3750
February	98	32.7283	118	26.0885	160	24.3750
March	98	32.5048	117	26.6925	159	24.2720
April	101	32.4063	118	26.5450	154	24.2500
May	97	32.4444	119	26.6250	149	24.2500
June	96	31.9688	123	26.6394	146	24.2500
July	98	29.6851	119	26.5949	149	24.2837
August	99	29.4792	120	25.9950	150	24.3125
September	100	29.1425	123	25.3025	150	24.3125
October	101	29.0960	125	25.1971	150	24.3125
November	103	28.1198	127	25.6272	151	24.3125
December	103	27.8654	128	25.6505	151	24.3125
Average	100		121		152	

The relation between the chief money markets abroad has been made closer, and great saving has been effected in the gold payments abroad. Although it cannot be said that the rise of prices is solely due to the increase of the currency, it must be admitted that there is some relation between the two.

Year.	Specie.	Notes.	Total.	Average of prices.
Dec.	Yen.	Yen.	Yen.	
1893	50,672,072	187,826,247	238,498,319	100
1894	62,711,242	185,000,044	247,711,286	106
1895	69,737,986	212,262,825	282,000,811	112
1896	76,185,729	224,187,957	300,373,686	121
1897	91,765,257	238,704,885	330,470,142	134
1898	80,941,508	204,678,190	285,619,698	142
1899	82,140,051	254,687,822	336,827,874	142
1900	89,460,356	228,570,032	318,030,388	152

VIII. ¹PRESENT STATE OF FINANCE AND ECONOMY.

Although the financial scheme for 1901-1902 was adopted by the Parliament, and increase in taxes was assented to, the whole amount of taxes could not be realized at once. Neither is it easy now to raise loans at home or abroad, and the Chinese indemnity could not be made use of much longer. The lending power of the Bank of Japan was curtailed by the decrease of its issuing power on account of the efflux of

¹ The Editors regret that they are compelled, by want of space, to omit two sections dealing with the growth of Trade and Industry and the improvement in means of communication.

gold. Thus, although the financial recovery of the country is very far from being hopeless, yet it is temporarily obstructed. The Finance Minister of the Ito Cabinet brought forward a scheme for postponing Government works for a few years, just after the close of the session. This was opposed by many Ministers, on the ground that it could be avoided if the Treasury try to skilfully manipulate various items. The Finance Minister, on the other hand, urged strongly the mistake of the hand-to-mouth policy hitherto adopted, as it causes endless increase of expenditure, and national debt, as well as the disturbance of the money market. Marquis Ito tendered his resignation in May, on the ground of his inability to preserve harmony among the Ministers of the State. Whoever may take up the reins of the Government, and have the key of the National Treasury, the futility of the hand-to-mouth policy urged by the *post bellum* buoyancy must be admitted, and there are many who advocate the views entertained by the ex-Finance Minister. But this is no proof that the Imperial Treasury is really in difficulty. It is merely a question of management and appearance. For instance, in the fiscal years which were spoken about as to be most hard to tide over, a large surplus accrued in the actual account.

	1898-1899.	1899-1900.
	Yen.	Yen.
Receipts.....	121,440,000	178,550,000
Expenditure	120,580,000	140,510,000
Surplus	860,000	38,040,000

On the side of the general market also, in contrast to the brisk state that followed the successful outcome of the war with China, there has set in a bad time. Low price, high interest, and bankruptcies appeared in the field, with some symptoms of panics among banks. The blow has been aggravated by the decline of the Chinese trade due to the delay of the restoration of the normal state in Peking. Everyone complains of depression and dearth of money. The country seems to be attacked by a sense of fear and anxiety, being just the reverse of the prevalence of universal enterprising spirit in years following 1894. Banks are on the lookout, traders refrain from new undertakings, and the public go for abstinence. But the symptoms are on the better side, prices falling,¹ balance of trade becoming favourable, speculation cooling down, and sound, steady habits gaining ground in the business circle.

¹ If prices index for May be compared with that of April, there is a fall of little over 2 per cent.

IX. REMEDY PROPOSED.

Many plans for remedy of the present state of finance and economy are brought forward. The most prevalent for economical distress are :—

1. Importation of foreign capital.
2. Purchase by the State of private railways.
3. Redemption of national debt.
4. Thrift and saving.
5. Contraction of the note issue of the Bank of Japan.

For financial difficulty the remedies proposed are :

6. Loans raised abroad.
7. Increase of taxes.
8. Drastic retrenchment in every direction.

Even granting that foreign capital and loans [(1) and (6)] are desirable, investment must be encouraged among foreign capitalists, which may take some time. The State purchase of railways and national debt redemption [(2) and (3)] want funds, which are the very thing now in need. Moreover, if suddenly a great sum be imported from outside and scattered at random, such evils as high price, excess of importation, efflux of gold, and another dearth of money will be repeated, leaving only the increased burden of debt. Though thrift and saving (4) are matters of self-evident necessity at any time, and may be of use for discouraging luxurious habits prevalent after the war, they may not give immediately any positive helps. The over issue and expansion of currency (5) are no doubt very deplorable; yet if contraction be suddenly and artificially executed, it may cause damages. There may arise necessity for more taxes (7), but it may be better to leave room for future emergency, especially after a repeated increase of taxation within so short a space of time. The only remaining remedy, retrenchment (8), is above all advisable. Since the war, the military and naval expenditure have thus increased gradually.

	1896-1896.	1901-1902.
	Yen.	Yen.
Department of Agriculture and Commerce	1,235,719	10,705,060
Department of Communication	8,468,566	50,789,205
Subsidies	1,274,648	2,023,495
Total	10,978,933	63,517,760
Other civil services	50,802,045	100,970,402
Army	10,015,933	50,114,785
Navy	13,520,268	38,330,423
Total	23,536,201	88,445,208
Grand total	85,317,179	252,933,370

Although it is undesirable to cut down expenses without any distinction whatsoever, much could be saved if thorough economy be

carried out in all departments of the State. Indeed, the money market and general economy were disturbed and injured by the too rapid increase of Government undertakings, especially by the sudden demand for labour and goods called forth by the army extension. The financing by the Chinese indemnity and sterling loans drove the economic movement from its normal track. If left alone, the rise of prices will cause excess of importation and efflux of specie, which in turn will bring fall of prices and increase of exportation, the evil thus correcting itself. But, in order to avoid the loss of specie, moneys invested in London, such as Chinese indemnity and loans issued, were made use of. Consequently, although excess of importation ensued, prices did not fall, and exportation was somewhat discouraged.

X. CONCLUDING REMARKS.

To conclude, as regards general economy, it is best to leave things to themselves. If, on the contrary, artificial remedies as above mentioned are resorted to, the disturbances will be repeated, and the healing of the wound will only be delayed. As regards the public finance, although economy in all departments is necessary, expenses for productive purposes must not be grudged, while those which are unproductive may greatly be cut down. In economy and finance one-sided drastic and extreme views must be avoided. Vacillation is harmful, but neither are sudden changes advisable. If properly managed, the economic strength of the country, which is not only very far from being exhausted, but is just in its youthful development, will show its true value. The gloom will pass away and things will become brighter.

Some of the Russian papers apprehend that "the Japanese frog will burst itself by trying to appear large." The simile is simply absurd. She is just in the growing stage, therefore if she becomes larger it is by natural growth, and her economic development is not as quick as might be, because of the deficiency of nourishing capital. When once the due amount of capital is properly supplied, first from the savings of her own people, and then from the far-seeing foreign capitalists, the progress of Japan will be much accelerated, to the mutual advantage of herself and her creditors. It is a great misfortune for Japan that her real strength is not duly known and fully admitted by the world at large. In the art of war she showed it amply, in the Chino-Japanese war and the Boxers' affair. Now it remains for her to prove that her capacity and ability are not inferior to her fighting power, on which she is now beginning to find out that too much stress was laid. If judgment, prudence, and patience be well exercised hereafter, a bright future lies before her in the peaceful works of commercial and industrial progress, for which she possesses many natural advantages.

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THE TAFF VALE RAILWAY CASE

THE writer contributed a short notice to the March number of this Journal in which the decision of the Court of Appeal in this case was commented on¹: the decision of the House of Lords has now been given, reversing that of the Court of Appeal, and requires some further remark.² It is a decision which has caused great surprise in the legal world, and affects the position not only of trade unions, but apparently also of voluntary associations, clubs, or partnerships.

English law does not allow individuals by their own act merely to become a corporation, so as to constitute a new artificial, undying entity, apart from the individuals who compose it. A corporation can only be constituted in one of three ways: by Royal Charter, by Act of Parliament, or by prescription, that is, immemorial usage. Partnerships in England, for instance, are not corporations (though they may be in other countries, *e.g.* Scotland). The partners, when sued, cannot say that it is the firm that is liable and not themselves; there is no firm apart from themselves. *Vice versa*, if the firm is sued for convenience, in the firm's name it is the partners alone who can and must pay.

The question in this case turned on the Trade Union Acts, which relieved the Trade Unions from the penalties under which they laboured at Common Law as illegal conspiracies.³ Did these Acts "*incorporate*" the Unions so as to allow them to sue and be sued as persons? It may be worth while to state shortly what the Acts, *i.e.* the Act of 1871 and the Amending Act of 1876, did do.

By the Act of 1871 the Unions are declared, to commence with, not to be unlawful either criminally, as conspiracies, or civilly, as in restraint of trade: they are also put on a separate footing by themselves. Neither the Friendly Societies Acts, the Industrial and Provident Societies Acts, nor the Companies Acts are to apply to them (Sec. 5). This is of importance, for all those three clauses of Acts do in terms *incorporate* the bodies with which they deal.

The very next Section provides the species of existence the Unions were to assume: "Any seven or more members of a Trade Union may, by subscribing their names to the rules of the Union and otherwise complying with the provisions of this Act, *register* such Trade Union under this Act." The Unions, when registered, may purchase and hold property of all kinds (Sec. 7), which is to be vested in trustees (Sec. 8): as to actions commenced by or against a registered Union, the trustees are authorised to bring or defend (Sec. 9) "any action, suit, prosecution, or complaint in any court of law or equity, touching or con-

¹ See ECONOMIC JOURNAL, vol. xi. p. 130.

² *Taff Vale Railway v. Amalgamated Society of Railway Servants and others* Times Law Reports, July 22, 1901, vol. xvii. p. 698.

³ Stephen, *Hist. of Criminal Law*, vol. iii. p. 208.

cerning the property, right, or claim to property of the Trade Union." The trustees are only to be liable to the extent of funds of the Union in their hands, and must account to the Union for all moneys which they receive. There are further provisions as to the steps to be taken by any Union to get put on the register, and what the rules of the Union when registered must contain. A registered office is required, and an annual return of the finances of every Trade Union is to be prepared by the Registrar. The second Act of 1876 only supplies a series of small amending provisions, concerning such details as membership of minors, amalgamation, &c., and does not affect the constitution of the Unions.

Now it will be noticed that not only is nothing said about incorporations in the Acts, but the word is purposely omitted; and so far from Parliament contemplating the Union being sued as a Union, the Act expressly provides machinery for suing the trustees, not, however, for all rights or liabilities of the Union, but only in cases "touching or concerning the property, right, or claim to property of the Trade Union." In the *Taff Vale* case the action was brought and an injunction was granted against the Amalgamated Society of Railway Servants¹ by Mr. Justice Farwell, for illegal picketing, so that it was not a case where the trustees could have been sued, for this had nothing to do with the *property* of the Union.

Now it is quite clear that at common law, at any rate prior to this decision, a voluntary society such as the Amalgamated Society of Railway Servants, could not be sued as a society nor have an injunction launched against it, nor have its funds made liable for the acts of the society. It is the same with a club. A tradesman who wants to sue a club for non-payment of his bill, must sue the member of the committee or secretary who gave the order; he cannot sue the club as a whole.² And the Union therefore applied to be struck out of the case. This Mr. Justice Farwell refused to do, the Court of Appeal said he was wrong, but the House of Lords have now restored his decision.

The judgments of Mr. Justice Farwell and the House of Lords involve several propositions each, with all deference, be it said, more surprising than the one before it:—

1. That the Trade Union Acts must, in fact, be taken to have incorporated a Trade Union if registered under those Acts (though the word "incorporate" is carefully omitted from their provisions) so as to make it capable of being sued as an artificial entity, and of having damages and costs recovered from its funds. The results arrived at may morally be reasonable enough; possibly the difficulty of getting

¹ Two officials of the Union were also sued as Defendants: as to them no question as to their liability to be sued arose.

² By a recent decision, however, a plaintiff can go to the court and get representatives appointed to defend the action on behalf of the Voluntary Society or Club: *Bedford v. Ellis*, 1901, Ac. 1.

amending legislation through Parliament has made the Law lords (both in this case and in the still more recent decision of *Quinn v. Leatham*), anxious to extend their jurisdiction beyond interpretation to legislation, for as a decision on legal interpretation the judgment is open to much criticism.

2. The judgments seem to go further, viz., that whether a Trade Union is registered under the Act or no is immaterial; provided it is a Trade Union it must be taken to come under the general purview of the Acts, and to be incorporated by implication just like a registered union; the argument being that Parliament can never have meant to allow large bodies of men to act together as a society and to hold property, without that property being liable to answer for their joint acts. It is to be noted that it is only registered societies that by Section 7 of the earlier Act are in actual terms to be allowed to hold property; but that is an argument based on the mere words of the Act, for which their Lordships seem to have had but scant regard.

3. Not only so, but the reasoning used is wide enough to include any voluntary society, a club, or partnership. This probably was not intended by the Law lords, and when occasion arises they will be careful to say that their very general words in this case must be applied with reference to Trade Unions only. Were it otherwise, we should have this extraordinary result, that without going through any formalities such as are at present required by the Companies' Acts, and by the mere fact of common action and the holding of property, individuals could turn themselves into a company or corporation. When sued on contracts really made with themselves, they would claim to repudiate personal liability for them, on the ground that the contracts were, in fact, made on behalf of the company, for whom they were only agents, and the whole course of business would be seriously deranged. Whatever the merits of the judgments as interpreting the Trade Union Acts, it is a pity language was used so wide as to throw doubt on the well-established English doctrine that it is only the Crown, Parliament, or prescription that can create the artificial entity that we call in law a corporation.

MONTAGUE BARLOW

REPORT FROM THE SELECT COMMITTEE OF THE HOUSE OF LORDS ON EARLY CLOSING OF SHOPS. (141.)

THIS Report is very cursory, and does not contain minutes of the evidence taken at the sittings of the committee. Eighty-six witnesses were examined, of whom sixty-two represented tradesmen's associations in all parts of the country. The committee satisfied themselves that some steps should be taken to deal with the evil of excessive working hours in shops. They found that in many cases shops are open from eighty to ninety hours per week, and that in addition to this shop

assistants are obliged to stay after the shops are closed in order to clear up, put away goods, and pack the articles purchased. The expressions of opinion of leading members of the medical profession in 1888 urging the passing of the Early Closing Bill were felt by the committee to relieve them from the necessity of obtaining much additional medical evidence. Sir W. MacCormac and Sir W. Selby Church appeared before the committee, and stated that such long hours of work, often in very bad air, must be prejudicial to health generally, and must contribute to produce rickets and the various forms of disease in which tubercule manifests itself.

Two hundred and ninety tradesmen's associations had expressed themselves as in favour of the general provisions of the Early Closing Bill, the only contrary opinions expressed being those of the off license holders and the London pawnbrokers. It has been sometimes alleged that the real objection to earlier closing of shops is that it would inflict hardship on the poorer class of purchasers. The committee did not see their way to obtaining a large body of evidence from individual small purchasers, but representatives of trade unions were strongly in favour of legislation, and asserted that it would be in no way inconvenient to their members. Moreover the committee were assured that in towns where the existing hours are of reasonable length there are no complaints from the customers. This view received corroboration from the fact that co-operative stores, even those which cater for the very poor, invariably close early, and no objection is made to the practice by their customers. It had been specially suggested that waiters, carmen and cabmen would suffer inconvenience from early closing, but the idea was repudiated by the secretaries of unions in these trades in London. The first draft of the report concluded by recommending the Early Closing Bill, but the following words were substituted at the instance of Lord Salisbury. ". . . we recommend that town councils should be authorised to pass provisional orders, making such regulations in respect to the closing of shops as may seem to them to be necessary for the areas under their jurisdiction; and these provisional orders should be submitted to Parliament in the usual manner, before acquiring the force of law."

It should be noted that the Report ignores entirely the existence of the Shops Bill, introduced by Sir Charles Dilke at the request of the National Union of Shop Assistants. It is implied that the Early Closing Bill is desired by all the witnesses in favour of legislation. The only suggestion to the contrary is contained in the assertion that of the two hundred and ninety tradesmen's associations who are in favour of the general provisions of the Early Closing Bill "many would wish to see it made more stringent." This omission is curious in view of the fact that not only have a large number of tradesmen's associations, including the London Drapers' Chamber of Trade, the Hull, Brighton, Birkenhead and Glasgow Grocers' Associations, and the North Staffordshire and the Bury Tradesmen's Associations expressed their preference

for the Shops Bill as opposed to the Early Closing Bill, but also the National Union of Shop Assistants (two of the officials of which body gave evidence) have lost no opportunity of pointing out that compulsory legislation alone will meet the case, and that the merely permissive legislation provided for by the Early Closing Bill would be quite ineffective. Resolutions to this effect have also been passed by the Trade Union Congress.

It is to be noted that the committee describe themselves on page 5 as "appointed to consider the early closing of shops," whereas the orders of reference cited on page 3 state that they were "appointed to enquire into the length of the hours of labour in shops, and whether any, and if so, what steps should be taken to diminish them." Any one familiar with the conditions of work in shops will perceive that early closing does not necessarily diminish the hours of labour of shop assistants.

Lord Salisbury's proposal adopted by the committee is a nearer approach to uniform and compulsory legislation than Lord Avebury's Early Closing Bill. It is nevertheless remarkable that the committee not only depart from the recommendation ostensibly supported by the evidence given, but also fail even to refer to the remedy advocated by the shop assistants themselves, who are fast securing the adhesion of the tradesmen's associations.

MONA WILSON

*Annual Report of the Chief Inspector of Factories and Workshops
for the year 1900. (Cd. 668.)*

THE questions of the prevention of accidents and of diseases incident on occupation seem to have chiefly engrossed the attention of the factory department during 1900. The returns of accidents show an increase of 21·7 per cent. of the more serious accidents, and of 6·9 per cent. of minor accidents. In order to diminish the number of accidents the department have issued a circular to makers of machinery calling their attention to the importance of fencing the dangerous parts of machinery. As was also pointed out in the Annual Report for 1899, machines for export are often fenced by the makers, whereas those sold for use in England are not provided with fencing. Apart from the fact that the buyers of the machines may not recognise the necessity for fencing until some accident has occurred, it is far easier to secure efficient protection when fencing is taken into account in the original design of the machine, not merely added by the owner.

Circular letters have also been sent to occupiers of tin-plate works, horsehair works, and to hatters' furriers, explaining the dangers of employment in these industries, pointing out how they may be diminished, and inquiring what steps have been taken, or are proposed, in that direction.

A committee consisting of Dr. J. S. Haldane and Mr. E. H. Osborn, engineering adviser, was appointed to "inquire into and report upon the means of ventilation in factories and workshops, with special reference to the use of fans, and the use and construction of respirators for the protection of workpeople exposed to dust or dangerous fumes." It is expected that the investigations of the committee will pave the way for an improved system of ventilation in factories and workshops.

The report of the principal lady inspector lays stress on the inadequacy of the women's staff to deal with the work which devolves upon it. There has been no increase of the staff during 1899 and 1900, and during the latter year much time has been spent on clerical work and on special inquiries. In accordance with the recommendations of the Factory Staff Committee, Miss Deane has had entire charge of the Court dressmakers and milliners and steam and hand laundries in the West London boroughs and in Acton and Chiswick, an experiment which has been attended with success. Some members of the staff spent a large part of the time in Ireland, where important prosecutions were taken under the Truck Acts. Two appeal cases (*Squire v. Sweeney*) were taken before the High Court of Justice in Ireland (Queen's Bench Division), and have had an important effect on the administration of the Truck Acts in that country. Visits were paid to convents where industries are carried on. It is interesting to note that no objection was made to inspection by the Mothers Superior, but, in some cases, a preference was expressed for inspection by women. Another important appeal case taken by one of the women inspectors (*Tracey v. Pretty and Sons*) has defined the position of factory inspectors who, acting in default of the local authority, require improved sanitation in workshops.

The proposed amended special rules for the earthenware and china trade, together with the correspondence between the Home Office and manufacturers, are included in the report. An arbitration on the subject is still impending. The medical inspector's report contains further matter relating to lead poisoning in this and other industries. A new departure has been made in the circulation of a leaflet addressed to workpeople on "Lead Poisoning: How caused and how best prevented." The dissemination of similar information with regard to anthrax is suggested in the circular sent to occupiers of horsehair works. The medical inspector has further devoted special attention to arsenic poisoning contracted in the manufacture of emerald green, arseniuretted hydrogen poisoning in chemical works, mercurial poisoning, and fibroid phthisis. M. W.

Factory and Workshop Acts Amendment and Consolidation Bill.

THE Factory and Workshop Acts Amendment Bill, as amended by the Committee on Trade, was amalgamated with the Consolidating Bill, and came on for Report stage as the Factory and Workshop Acts Amendment and Consolidation Bill, consisting of 163 clauses. The Bill was read a third time on August 13.

The Amending Bill underwent considerable modifications in both stages.

An attempt was made to secure the establishment of special rules for dangerous trades in accordance with the recommendations of the Home Office experts, without the inquiry in case of objection by persons affected which was proposed by the Bill. This was defeated, and an inquiry will therefore be substituted for the present system of arbitration, although the Home Secretary will not be bound to accept the recommendations of the referee.

The Home-Work clauses were so amended as to provide that the occupier of every factory or workshop shall send lists of outworkers, or such extracts as may be required, twice a year to the Factory Inspector for the district, as well as to the District Council. This amendment is of considerable practical importance, since the tendency of the Bill as originally drafted was toward the transference of power from the Factory Department to the local authority. This tendency was further thwarted by making the Home Secretary, instead of the district councils, responsible for giving notice of provisions relating to domestic factories and workshops by the publication of abstracts or otherwise.

The subject which gave rise to the most heated discussion, both in Committee and on report, was that of the treatment of laundries. It will be remembered that by the Amendment Bill as originally drafted, laundries carried on by way of trade or for purpose of gain were to be treated as factories or workshops, but the Secretary of State had power to vary the period of employment and meal hours, "so as to adapt them to the special circumstances of laundries." Laundries attached to religious and charitable institutions were to be inspected by specially appointed visitors; and laundries employing not more than two persons, in addition to members of the family dwelling on the premises, were to be entirely exempted.

The first part of the clause was so amended by the Committee as to secure a regular daily period of employment for women and young persons in laundries. At least half an hour had to be allowed for a meal at the end of each $4\frac{1}{2}$ hours, as in textile factories; the period of employment might be taken between 9 a.m. and 9 p.m. instead of between 6 a.m. and 6 p.m., 7 a.m. and 7 p.m., or 8 a.m. and 8 p.m. In the case of women, the period might be further varied to the hours

between 10 a.m. and 10 p.m. by special order of the Home Secretary. Overtime for women was permitted in addition to this, but could not be worked after 10 p.m. This would have been an important amendment on the present law, which permits irregular periods of employment for women and young persons. Unfortunately, in the report stage the Home Secretary announced his intention of abandoning the clause entirely, and restoring laundries to their position under the present law, alleging as his reason for that course the number of amendments on the paper. The exceptional treatment proposed for laundries in connection with religious and charitable institutions was strongly opposed by Mr. H. J. Tennant, Mr. John Burns, and other members of the Committee. The Irish members, on the other hand, vehemently opposed inspection of such laundries, protesting that there was no ground for an alteration of the present law; that it would hamper the work of the nuns, and that the argument of the laundry proprietors that the exempted places would be competing unfairly with them had no weight, as there was no real competition between the two classes of laundries.

The clause in the Amending Bill relating to the reporting of accidents, which would have had the effect of relaxing the provisions of the present law, was abandoned by the Government before the Committee stage, in consequence of opposition in the House of Commons during the second reading.

Several additional clauses were moved in Committee. Some of these dealt with the further restriction or prohibition of overtime. The overtime employment of women for press of work was to be permitted for twenty-five days in the year only, and not more than two days in any week; that in perishable trades for fifty days in the year, and not more than three days in a week. In the former case the present law was reverted to in the report stage, but the latter amendment was allowed to stand.

Another important clause, added in Committee, secured the cessation of employment of women and young persons for manufacturing purposes in textile factories at 12 o'clock on Saturdays. An attempt was made to cancel this additional clause on report, but the Government was defeated.

M. W.

OBITUARY.

SALVATORE COGNETTI DE MARTIIS.—The eighth of June in the current year saw the decease, at the age of 57, of Salvatore Cognetti de Martiis, Professor of Political Economy at the University of Turin. His death is a heavy loss to Italian economic study, which he had enriched by important works and articles. We may cite his books—*Le forme primitive nella evoluzione economica* (Torino, 1880), *Socialismo antico* (Torino, 1889), and the copious prefaces to the volumes of the *Biblioteca dell' Economista*, which he edited. But Cognetti had

besides this well deserved of Italian scholarship by founding the *Laboratorio d'Economia Politica*, in the Turin University. Here he admitted capable youths from the surrounding districts, supplied them with the means of study and with valuable suggestions, and hence have issued several highly noteworthy publications, both scientific and practical. Cognetti was a fervent disciple of the historical and inductive method, and his teaching and his writings were inspired by it. He leaves also a translation, in Italian verse, of the comedies of Plautus which won the enthusiastic eulogy of the great Italian poet, Giosuè Carducci.

A. LORIA

CITY NOTES.

WE have received the following notes on City matters from R. G. :—

The State of Trade.—There is a general expectation that bad times in business are at hand. As the result of the high prices for coal and iron the last year or two, the weakness of credit which has been brought about by the banking and financial troubles on the Continent (especially in Germany and Russia), and the evident beginning of labour and business troubles in the United States after the prolonged boom in that country, a good deal of bad trade here is certainly to be expected. Some people would point to the expense of the South African war as a contributory cause, but whether there would be reason for so doing or not, there is certainly sufficient ground for apprehension in the other causes referred to. Bad times follow good as night follows day, and the long spell of good times we have had naturally suggests the approach of a period of less satisfactory business.

As yet, however, there is no very distinct sign of a serious falling off in business. The monthly labour returns issued by the Board of Trade show but a slight diminution of employment as compared with the same period of last year. The returns of foreign exports, allowance being made for the reduced price of coal, also show a comparatively small diminution in the volume of business. All this points in the direction of a smaller change for the worse being in progress than is usually the case when there has been a long continued period of inflation such as we have now passed through. Still it would be a mistake to ignore the prevalent feeling in business circles that worse is to come, and the reports in many quarters as to short time being worked or about to be worked.

The Money Market.—One reason for anticipating that the worst of the reaction from the recent good time is still to come is furnished by the condition of the money market, which has remained easy for the last three months, but with a strong undercurrent of opinion that a

crisis of some sort is not unlikely in the autumn. Credit has not quite recovered from the shock of the disasters on the Continent, especially in Germany, and the incidents of a similar kind in the United States in connection with the great Stock Exchange speculation there. The desperate efforts of powerful syndicates to bolster up their schemes, and the trouble caused by labour combinations against the syndicates, although the syndicates claim to have beaten the combinations, and the intrinsic rottenness of all such artificial systems of business, produce a conviction that the great collapse which is certain to follow the manipulations of the last few years cannot be long deferred. In other words the present calm in the money market is interpreted as the calm that precedes the storm; and as the season for such storms is the late autumn, the fear is that we shall have much dearer money and not a few money market troubles before long, with depressed trade to follow as the necessary consequence. Time will show.

The Expense of the War.—Reference has already been made to the expense of the war as likely to lead to bad trade, and not merely the expense of the war but the generally increased expenditure of the Government. This view, however, is not commonly held in the City, where it is seen that the expenditure of the Government has much the same economic effect as the expenditure of any other great employer. The expenditure of course leaves the community with less to spend on other objects; but if the community chooses to secure *this* object, the employment of labour to secure it is a substitute for other employment, and the general volume of business is not diminished, if indeed it is not for the moment increased by the employment of some labourers who would otherwise be idle, so that the Government outlay becomes a distinct stimulus to trade. War is necessarily a loss to the community. The people who carry it on have less to spend on other objects than if they had no war. But it does not imply any depression or diminution of trade, so long as the community are content to carry on the war, and make that one of the objects of their business.

The Actual Outlay of the War.—There appears a little doubt as to what the war is really costing the community. The expense we are officially told comes to a million and a half or a million and a quarter per week, or say £70,000,000 a year, exclusive, it must be understood, of war and navy estimates of £30,000,000 each besides, with £10,000,000 more for barracks, forts and other works, which are charged on loans—an aggregate total outlay of about £140,000,000 for war and military and naval armaments! I should like, however, to put in a *caveat* against the notion that the war accounts for one-half of this aggregate, although this is the official statement. The cost of feeding and sup-

porting 250,000 men in South Africa, even at £200 per man, would not be more than £50,000,000 per annum, and large as is the number of the Boers we are supporting, the expense cannot be £25,000,000 a year more, which it must be on the supposition that we are spending anything like a million and a half a week on "the war." It has to be remembered, besides, that a good many of the 250,000 men now maintained in South Africa would be there, and ought to be there, irrespective of any warlike operations actually carried on. They are required there permanently in order to the proper defence of the Empire as part of its peace establishment. There is room for suspecting, then, that a great deal of expenditure is being charged to the war which ought to be recognised as permanent peace expenditure. In other words, the real question of interest about the present large outlay of the Government is not the cost of the war, so-called, but what the peace establishment for army and navy purposes is likely to be after the war. Public men and Parliament hardly seem alive yet to the great changes which have been going on in international politics, and which not the war in South Africa alone, but the war in China and the latest developments of foreign navies, have helped to reveal. These changes are the true causes of the vastly increased war expenditure in time of peace, and there is not the slightest probability of the expenditure coming to an end, in the present temper of the people of the United Kingdom and of the British Empire generally, with the cessation of the military operations in South Africa.

The new Taxes and Smuggling.—It is interesting to learn that one of the consequences of the taxation imposed for the war has been the appearance of smuggling in connection with a new article. As an outwork to the sugar duty, it has been necessary to impose a heavy duty on the chemical substitute for sugar—*saccharin*—the well-known product of coal-tar, which is used to impart sweetness to articles in place of sugar, partly for reasons of health, as "saccharin" is not "sugar," and does not affect injuriously the constitutions which "sugar" injures. But "saccharin," unlike "sugar," is a valuable article in small bulk, and the duty of 20s. per lb., the equivalent of a sugar duty of $\frac{1}{2}$ d. per lb., has given the smuggler his opportunity. "Saccharin," in fact, is as easy to smuggle as silk, which used to be the difficulty of the customs when there was a high duty upon it, or as lace and diamonds, which continue, along with silk, to be the difficulties of the American Customs. Now we shall have similar troubles here. Such difficulties are not absolute reasons against import duties when they are commanded by circumstances, but their magnitude and their tendency to interfere with trade are not to be lost sight of, and constitute the main objection to indirect taxes.

R. G.

September 2nd, 1901.

CURRENT TOPICS

THE inaugural meeting of the new Economic Section of the Royal Society of New South Wales was held last June. The Chairman, Mr. Teece, traced the history of the Australian Economic Association—its early progress, arrested growth, and final absorption in the Royal Society. He illustrated the importance of economic science by referring to some Australian problems. Mr. John Plummer having read a paper on "Old Age Pensions and Popular Thrift," the discussion—according to the commendable practice which used to be followed by Australian Economic Association—was adjourned to the next monthly meeting.

WE learn with regret that Dr. Luigi Bodio has terminated his official connexion with statistics. The office which he held with such distinction now devolves to M. Charles De' Negri.

LEAVING Harvard University, Professor W. J. Ashley has been appointed to an "organising chair" in connexion with the future faculty of Commerce at the University of Birmingham.

LEAVING Aberystwith, Mr. S. J. Chapman has succeeded to the chair at Manchester which has lately been vacated by Prof. Flux.

THE eminent Mr. N. G. Pierson, lately Premier in the Government of Holland, has accepted the office of Correspondent to the British Economic Association for Holland (vacant by the resignation of Prof. Gréven).

THE following letter from the Council of the British Economic Association appeared in *The Times* of June 25:

Sir,—We desire to call public attention to the fact that a great collection of national interest and importance is in imminent danger of leaving this country. The well-known library of Professor Foxwell, consisting of some 30,000 valuable volumes, pamphlets, and manuscripts, illustrative of the social, industrial, and financial history of the kingdom, is about to be sold; and unless a sum of £10,000 can be found within a few days, it is to be feared that this unique storehouse of material of scientific and historical economics will be removed to America, whence it will never return.

No such library of economic literature has ever been formed before,

and it is doubtful whether any future collector, however learned, leisured, and wealthy, will be able to rival it. When Professor Foxwell started the enthusiastic pursuit of his hobby in 1875, he was almost the only collector. Owing to agricultural depression and other well-known causes, an exceptional number of old and famous libraries have since that time been brought to the hammer, and he has thus been able to put under contribution the libraries of a great number of distinguished statesmen and economists, and to make the richest possible collection, especially for the period down to 1850. Many of the volumes are interesting as having belonged to Adam Smith, Ricardo, Arthur Young, Pitt, F. Baring, Huskisson, Peel, Cobbett, and many are in sumptuous English and French morocco bindings of the seventeenth and eighteenth centuries, of which a selection was chosen for exhibition by the Fine Arts Club a few years ago. Every volume is of importance, and the catalogue is the most complete bibliography of political economy yet made. It would be humiliating if these records, in some cases unique, of the condition of the English people for more than four centuries were allowed to leave the country. Such subjects as taxation, currency, banking, the National Debt, the growth of the colonies and colonial trade, the slave trade, the anti-Corn Law movement, the rise of the large towns, and the growth of industries, industrial legislation, guilds, trade unions, co-operation, Socialism, Owenism, Chartism, Poor Law, charity organisation, population and the census, emigration, Ireland and Irish questions, East Indian and American trade from the earliest times, commercial law and practice, railways and canals, to mention only a few of the topics, each of which has a library to itself, must surely be of sufficient interest and importance to the country to justify some effort to arouse public interest in the matter. The owner is making no profit by the sale, and the sum mentioned is no larger than the price which has been paid for a great racehorse. In Germany and America there is sufficient public interest to arouse great eagerness for the acquisition of such a library. The Council of the British Economic Association would appeal to some public-spirited person or persons to seize this opportunity of performing an act of enlightened patriotism by purchasing this library for the country. It might, perhaps, find a fitting home in the new London University; but it is proposed to leave to the subscribers a decision upon this question.

Subscriptions or offers of help may be addressed to the Secretary of the British Economic Association, at 9, Adelphi Terrace, Strand, W.C.

To this appeal, backed up by a strong leading article, the following handsome response was promptly made :—

To the Editor of the "Times."

SIR,—*The Times* of the 25th inst. contained an urgent and weighty appeal from the Council of the British Economic Association to some

public-spirited person or persons to seize the present opportunity of purchasing for the country, at the price of £10,000, this great collection of national interest and importance, consisting of some 30,000 valuable volumes, pamphlets, and manuscripts illustrative of the social, industrial, and financial history of the kingdom.

Professor Foxwell, who had decided to sell the library, was, at the date of the appeal, under a pledge to give an answer "Yes" or "No" to an offer from America, not later than the 29th inst.

I am now in a position to inform you that arrangements have been made for the acquisition of the entire library by the Worshipful Company of Goldsmiths. It is the Company's intention to retain the library intact in this country, but they reserve to themselves the right to decide where the library shall be ultimately housed, and as to the conditions subject to which it may be made available for public use. A decision upon these points cannot be arrived at until the catalogue of the collection has been completed and printed, and other details have been considered.

I am, Sir, your obedient servant,

WALTER S. PRIDEAUX.

Goldsmiths'-hall, E.C., June 29.

RECENT PERIODICALS AND NEW BOOKS.

The Economic Review.

July, 1901.

The Case for Private Property. HERBERT W. BLUNT. *Municipal Trading.* Rev. L. R. PHELPS. *The Education of the Democracy.* Rev. HUGH LEGGE. *Poor Law and Poverty.* Miss LOUISA TWINING. *Prosperity-Sharing.* W. H. LEVER. [A rejoinder to Messrs. William and Vivian. See *Economic Review*, January, 1901.] *The Gothenburg Movement.* W. W. CARLILE. *The Coming Savings Banks Enquiry.* HENRY W. WOLFF.

Under the head of *Legislation, &c.*, Mr. Cannan remarks on the Preliminary Report of the Census of England and Wales, pointing out some inferences and some errors.

Journal of the Statistical Society.

June, 1901.

The Results of State, Municipal, and Organised Private Action on the Housing of the Working Classes. JOHN F. SYKES. *An Economist's Notes on Persia.* J. RABINO. *A Method for Estimating Mean Populations in the Last Intercensal Period.* A. C. WATERS. [It is assumed that the population of the whole country increases by geometrical progression, but the proportion of each local population to the total change by arithmetic progression.] *Changes in Average Wages in New South Wales, 1823—1898.* G. H. WOOD. [Index-numbers illustrated by a diagram exhibit, among other features, an enormous rise of wages in 1854, and a close correspondence between weighted and unweighted averages in all years.]

The Contemporary Review.

June, 1901.

The Economic Decay of Great Britain, II. The Author of "Drifting." *But are We Decaying?* H. MORGAN-BROWNE. [The Author of "Drifting" does not understand that figures like words must be interpreted with reference to their context.]

The Fortnightly Review.

June, 1901.

The Coal Duty. D. A. THOMAS, M.P.

A severe indictment.

July.

Commercial Rivalry with America. (1) *The Maritime Expansion of America.* BENJAMIN TAYLOR. (2) *Face to Face with the Trusts.* H. W. WILSON.*Quarterly Journal of Economics* (Boston).

May, 1901.

Social Elements of the Theory of Value. E. R. SELIGMAN.

"Exchange power is based on the comparative estimate of direct social utility which gives to every owner of the commodity, the indirect individual utility that lies at the root of value."

"While cost and utility in general are by no means equivalent, marginal social cost and marginal social utility are real equivalents."

The Chicago Building Trades Conflict of 1900. J. E. GEORGE. [An account of the struggle between the contractors and employees in these trades, which began at the end of 1899 and lasted till recently.]

The Tariff and the Trusts. CHARLES BEARDSLEY.

"The consolidation of industry has made excessive tariffs dangerous. . . . The importing point of cheaply produced foreign goods should be adjusted approximately to the level of the domestic cost of production, in order to protect domestic manufactures and at the same time prevent monopoly abuses."

The Passing of the Old Rent Concept. FRANK FETTER. [Referring particularly to Prof. Marshall's *Principles of Economics*, the writer argues "not only that the time-honoured doctrine is unsound, but that this is by logical implication repeatedly admitted by those who still formally assert its vitality."]

A note on the *Risk Theory of Profits*, by Prof. Carver, refers to Mr. F. H. Hawley's article on *Enterprise and Profit* in the *Quarterly Journal* for November, 1900.

Political Science Quarterly (New York).

June, 1901.

The Economic Ages. F. H. GIDDINGS. ["The genetic of social and economic evolution."] *The Chicago Building Trades Dispute.* ERNEST L. BOGART. *The Trust Companies.* A. D. NOYES.

The Journal of Political Economy (Chicago).*Trade Unionism as Illustrated by the Chicago Building Trades Conflict.*J. A. MILLER. *The Railway Policy of Canada.* 1849-67. III.S. D. McLEAN. *Economics in Schools.* J. LAURENCE LAUGHLIN.*The Yale Review* (New Haven).

August, 1901.

Direct Taxes and the Federal Constitution. III. CHARLES J. BULLOCK.*The Measurement of Unemployment: A Statistical Study.* WILLIAM F. WILLOUGHBY.*Annals of the American Academy of Political Science*
(Philadelphia).*America's Race Problems.* (Special annual meeting number.) The races of the Pacific and of the West Indies, and the Race Problem of the Southern States are discussed each by three different writers. *The Causes of Race Inferiority* is the subject of another part by Prof. G. Ross.*Journal des Économistes* (Paris).

June, 1901.

La prospérité des états-unis en 1890 et la Crise du Stock-Exchange de New York. A. RAFFALOVICH. *Une Transformation Industrielle: l'Industrie du ruban à Saint-Etienne.* CHARLES LIMOUSIN.

July.

Le Municipalisme. H. BONET. *Ricardo.* ANDRÉ PINARD. *La Réforme de la Législation de la Bourse en Allemagne.* A. RAFFALOVICH.

August.

Le Sophisme de Karl Marx. YVES-GUYOT. *Le Mouvement agricole.* L. GRANDEAU. *Revue des Publications économiques en langue française.* ROUXEL. *Lettre des États-Unis.* G. N. TRICOCHÉ. *La Question du sucre aux Indes-Anglaises.* D. BELLET. "Travail" d'Emile Zola. F. PASSY.*Revue d'Économie Politique* (Paris).

May, 1901.

L'Agriculture moderne, et sa tendance à s'industrialiser. J. HITIER. *Le système des impôts directs d'État en France.* H. TRUCHY. *Le développement des principaux ports maritimes de l'Allemagne.* A. AFTALION.

June.

Le développement des principaux ports maritimes de l'Allemagne. A. AFTALION. *Le système des impôts directs d'Etat en France (suite et fin).* H. TRUCHY. *L'Agriculture moderne . . . (suite).* J. HITIER.

July.

Congrès international pour la protection légale des travailleurs. P. PIC. *L'assurance contre les risques d'éviction des propriétaires fonciers aux Etats-Unis.* JACQUES DUMAS. *La specialisation. . .* L. DECHESNE. *L'Agriculture moderne. . .* J. HITIER.

L'Economiste Français (Paris) has several striking articles. M. Pierre Leroy-Beaulieu (June 15), describes the recent socialistic legislation of Australia, attributing much of the late depression to a régime which destroys all elasticity, spirit of enterprise and individual initiative. M. Paul Leroy-Beaulieu (June 22 and 29) deprecates following the example of Lyons in the matter, or, at least, in the manner, of suppressing *octrois*. The present expensive apparatus would have to be retained solely for the purpose of levying the impost on the introduction of alcohol which it is proposed to retain and increase. The cost of the reform, too, ought not to be thrown mainly on the towns. In a facetious article on *Etudes Monétaires* (July 20) M. De Foville sprinkles with indiscriminate persiflage the philosophical and the mathematical writers on money, who have this in common, that they are not much read. Strange that the mathematician, Bertrand, that equation in breeches (*l'équation faite homme*) as he was nicknamed, should yet have been able to express himself on the subject of money (*Journal des Savants*, December, 1897, and January, 1898) "without having to punctuate his prose with the *x*'s and *y*'s of which other pens are so prodigal." Mr. Walsh's recent attempt to treat the nebulae of monetary statistics with astronomical precision does not escape.

Jahrbuecher für Nationaloekonomie (Jena).

June.

Der Begriff der Gesellschaft in Herbert Spencer's Soziologie. ALBERT HESSE.

July.

Die Zwangerziehung Minderjähriger nach den deutschen Reichs- und Landesgesetzen. EDGAR LOENING.

August.

Die belgische Lohnstatistik. E. WAXWEILER. *Die landwirtschaftliche Produktion im Deutschen Reiche. . . .* C. LEISEWITZ.

Giornale degli Economisti (Rome).

June, 1901.

Utilità Limite e Costo di Riproduzione (contin. e fine). D. BERARDI. *Le Associazioni Agrarie in Italia dalla Costituzione dell'Unità Politica ad oggi*. F. COLETTI. *Il Dazio sul gran Difeso da un Professore di Economia Politica*. E. GIRETTI. *Sul quarto tomo inedito delle "Memorie Leggi ed Osservazioni sulle Campagne e sull'Annona di Roma."* C. DE CUPIS. *Per la Bibliografia di Angelo Messedaglia*. A. BOSCO.

July.

Salvatore Cognetti de Martiis. L. EINAUDI. *La Finanza Italiana dal 1862 al 1900*. V. TANGORRA. *Un Paese in Progresso: il Messico*. F. SARTORI. *La Pagliuzza nell'Occhio del Fratello*. U. GOBBI. *Il Principio della Convenienza Economica e la Scienza delle Quantità*. P. BONINSEGNI. *In Difesa del Principio della Convenienza Economica*. U. GOBBI. *Il Concetto dell'Importanza nell'Economica Pura*. P. BONINSEGNI.

August.

La Riforma Tributaria dell'on. Wollemborg. C. A. CONIGLIANI. *Una Replica del Loria ai Suoi Critici*. A. GRAZIANI. *Le Scritture nell'Azienda dello Stato*. C. GHIDIGLIA. *Polemica sul Dazio del Grano*. E. GIRETTI.

La Riforma Sociale (Turin) has in July an article on 'Francesco Ferrara's theory of value,' by A. Cabieti, and a study on Carlo Cattaneo as an economist, by H. Loria. In the August number the connexion between the fall in the rate of interest and the expediency of life-insurance, in view of the increased present cost that is necessary to produce a future sum, is discussed by Dr. Ulisse Gobbi.

NEW BOOKS.

COGHLAN (T. A.). *A Statistical Account of the Seven Colonies of Australia, 1899-1900*. (Eighth issue.) Sydney: Gullich, Government Printer. 1900. Pp. 836.

MACKEY (T.). *Public Relief of the Poor. Six Lectures*. London: Murray. 1901. 8vo. Pp. 222. 2s. 6d.

PATTON (D. N.), DUNLOP (J. C.), and INGLIS (E. M.). *A Study of the Diet of the Labouring Classes of Edinburgh*. Edinburgh: Schultz. 1901. 8vo. 4s.

[An investigation carried on under the auspices of the Town Council.]

No. 43.—VOL. XI.

I I

ROBINSON (E. C.). *A Text-book of Political Economy*. London: Simpkin. 1901. 8vo. Pp. 238. 2s. 6d.

SUTTER (Miss J.). *Cities and Citizens*. London: Marshall. 1901. 8vo. 6s.

[A plea for the poor in cities.]

THORPE (C. H.). *How to Invest and how to Speculate*. London: G. Richards. 1901. Pp. 297.

TIMES (London). *The Financial Half-year*. London: The Times Office. 1901.

[A new series, to appear every half-year.]

WEBB (MRS. SIDNEY). *The Case for the Factory Acts*. Edited by Mrs. Sidney Webb, with a Preface by Mrs. Humphry Ward. London: Grant Richards. 1901. Pp. 233. 2s. 6d.

[Five articles on as many aspects of Factory Legislation by Mrs. Webb, Miss B. L. Hutchins, Miss Gertrude Tuckwell, Mrs. W. P. Reeves, Miss Clementine Black respectively.]

WESTERN (R. W.). *Price and Taxation*. London: Effingham Wilson, Royal Exchange. Pp. 15. 1901.

[The difficulty of predicting who will pay the coal tax is illustrated by a study of rudimentary supply and demand curves which is not without interest. The following view as to the higgling of the market deserves attention:—"Two caravans traversing the desert meet at a well and there stop during the midday heat. It soon transpires that an exchange of eggs for muskets is likely to take place. Animated bargaining ensues; the members of each caravan run about among those of the other asking 'how much?' or 'how many?' None, however, is in a hurry to make actual changes or contracts to exchange until it is nearly time to start again, when all having spoken, the ratio of barter is established; the exchanges are then quickly made and the caravans proceed to their respective destinations."]

CLOW (F. R.). *Commerce*. A Book for Schools, with preface by Prof. F. W. Taussig. New York: Silver, Burdett & Co. 1901. 12mo.

[Designed for use in secondary schools.]

DAVIS (ANDREW MCFARLAND). *Currency and Banking in the Province of the Massachusetts Bay*. (American Economic Association.) New York: Macmillan Co. 1900. Pp. 473. \$1.75.

FLICH (ALEXANDER C.). *Loyalism in New York during the American Revolution*. (Studies . . . of Columbia University.) New York: Macmillan Co. 1901. Pp. 142.

GUNTON (GEO.) and ROBBINS (H.). *Outlines of Social Economics*. New York: Appleton. 1900. 12mo. 75 cts.

HOBSON (J. A.). *The Social Problem*. Life and Work. London: J. Nisbet. New York: James Pott. 1901. 8vo. Pp. 302. \$2.

LE ROSSIGNOL (J. E.). *Monopolies Past and Present*. New York: T. Y. Crowell. 1901. 12mo. \$1.25.

ROSS (E. A.). *Social Control*. A Survey of the Foundations of Social Order. New York: Macmillan Co. 1901. 12mo. Pp. 463. \$1.25.

SCISCO (LOUIS DOW). *Political Nativism in New York State.* (Studies of Columbia University). New York : Macmillan Co. 1901.

WALSH (C. M.). *The Measurement of General Exchange Value.* New York : Macmillan Co. 1901. 8vo. Pp. 594.

[Reviewed above.]

WHITTEN (R. H., editor). *Taxation of Corporations in New York, Massachusetts, Pennsylvania, and New Jersey.* Albany : University of State of New York. 1901. 8vo. Pp. 108. 25 cts.

WILLET (ALLAN H.). *Economic Theory of Risk and Insurance.* (Studies of Columbia University). New York : Macmillan Co. 1901. Pp. 142.

WOOLLEY (EDWIN C.). *Reconstruction of Georgia.* (Studies of Columbia University). New York : Macmillan Co. Pp. 112.

CAUWES (A.). *Des rapports de mariage avec la nationalité.* Paris : Larose. 1901. 8vo. 6 fr.

GUYOT (Y.). *La question des sucres en 1901.* Paris : Guillaumin. 1901. 18mo. Pp. 160. 3 fr.

SAY (LÉON). *Les finances de la France sous la troisième république.* Tome IV. *La Liberté économique. Protectionisme. Socialisme. 1870-1896.* Paris : C. Lévy. 1901. 8vo. Pp. 688.

KÖRÖSY (D. JOSEF.). *Die finanziellen Ergebnisse der Actiengesellschaften während des letzten Vierteljahrhunderts.* Berlin : Puttkamer and Mühlbrecht. 1901. Pp. 92. 1 mark 50 pf.

MAYR (GEO V.). *Begriff und Gliederung der Staatswissenschaften.* Tübingen : H. Laupp. 1901. 8vo. Pp. 69. 1.80 m.

[From "Festgabe für Albert Schäffle."]

WORMS (DR. STEPHEN). *Das Gesetz der Güterconcentration in der individualistischen Rechts- und Wirtschaftsordnung.* Erster Half-band. Jena : G. Fischer, 1901. Pp. 238.

SALVADORI (DR. GUGLIELMO). *La Scienza Economica e la teoria dell' evoluzione.* (Saggio sulle teorie economico-sociali di Herbert Spencer). Florence : Lumachi. 1901. Pp. 168.

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THE ECONOMIC JOURNAL

DECEMBER, 1901

EQUITY AND ECONOMY IN TAXATION¹

WE professional economists will always have a kindly feeling towards the Local Taxation Commission of 1897-1901. The Commissioners set us an examination paper, and though, as Adam Smith would have said in his hasty way, "they endeavour to degrade" our answers "by the humiliating appellation" of *Memoranda* (which Professor Edgeworth has reduced to the still more undignified *Mem.*) we were pleased to be noticed. It is easy to laugh at the *Memoranda*. Nobody enjoyed the joke more than the examinees. Staid professors felt their youth renewed as they coned over the paper, and wondered which questions they could "do." The more ribald found a wicked joy in the thought that as no class list was to be brought out, it was not necessary to conciliate the examiners by careful concealment of the fact that the form of some of their questions showed their entire ignorance of the subject. But the result of the experiment has been very valuable. Though we cannot suppose that any of the commissioners read the whole of the answers, we may conjecture that each of them looked at the answers to the questions which he himself proposed, and it is probably owing partly to this fact, that the litter of reports so resolutely avoids many quagmires in some of which the personages who framed the reference to the Commission, and perhaps some of the Commissioners themselves, were floundering at the beginning of the inquiry. Whatever benefit the Commission may have derived from the *Memoranda*, it is certain that more than one economist is

¹ Read before the Scottish Society of Economists, October 11, 1901.

ready to acknowledge his obligations to the Commission for compelling him to deal with the questions actually asked by the practical man, and giving him the opportunity of comparing his attempt with that of his colleagues.

The Commission has produced enough of its final report to show its position in regard to the principles of taxation, and now our turn has come to criticise it, and to get what profit we can from it.

Like some other commissions and committees of recent years, the present Commission has been unfortunate in the terms of its reference. Our Governments are never content to give a commission a free hand; they always endeavour, as far as possible, to tie it up to the particular answer which they themselves favour, and when their attempt to do this has been slightly modified to meet the objections of the front Opposition bench, it is seldom improved. The Opposition has its own distorted view as well as the Government, and the end of the consultation is that two leading questions are put to the Commission, and the truth is, so far as possible, excluded from the terms of reference.

It would have been easy to ask the Commissioners "to inquire into the present system under which taxation is raised for local purposes," and to suggest any improvements therein which might seem desirable. Instead of this, they were asked "to inquire into the present system under which taxation is raised for local purposes, and to report whether all kinds of real and personal property contribute equitably to such taxation, and, if not, what alterations in the law are desirable in order to secure that result." This clearly implies that it is an axiom of equity that all kinds of property should contribute to taxation raised for local purposes, since we can scarcely suppose the framers of the reference to have admitted in their minds the possibility of an "equitable contribution" being *nil*. It also probably implies that it is equitable that persons should not contribute to taxation raised for local purposes except in respect of property, *i.e.*, that earnings of personal exertion should not be taxed for local purposes. Further, it says nothing whatever about economy, except so far as economical considerations may be obscurely implied in the word "desirable."

Equity is put in the first place, and economy, if considered at all, is to come in afterwards as a sort of practical difficulty in the way of the complete adoption of equitable principles.

Though the Commissioners, both of the majority and the minorities, have shown no slavish adherence to the letter of their commission, they have almost all been strongly influenced by the

mode of stating the question adopted in the reference, and it is to this malign influence, in great part at any rate, that we must ascribe the fact that their reports, though careful and able, are scarcely luminous. They throw little light on the main question, because the Commissioners fail to distinguish clearly between considerations of economy and considerations of equity, and to put the two in their right place.

They have all, with the possible exception of Judge O'Connor, adopted two entirely different maxims of taxation for local and national taxation. In an ideal world, they seem to think, national taxation would be distributed over the taxpayers in proportion to their ability to pay, while local taxation would be distributed over the taxpayers of each locality in proportion to the benefit derived by them from the expenditure. But, and this is of course a very important proviso, in such a world the services performed by governmental agency would divide themselves sharply into two classes, one of which would be clearly national, and the other local, national services being those from which benefit arises to the nation at large, and local services being those from which benefit arises to the persons interested in the locality. They imagine themselves to be precluded from advising a division of services, and a frank recognition of the two great maxims of national taxation according to ability, and local taxation according to benefit, not so much by the fact that the various services do not actually divide themselves into the two classes, as by certain administrative difficulties, such as the stupidity and Chinese conservatism of a central bureaucracy on the one hand, and the irresponsibility of local committees administering national funds on the other.

I am not sure that four or five years ago, when the Commission was appointed, I should not have been content with some such doctrine. I should not be surprised if some one alleged that I taught it myself. But four or five years make a difference, and now the doctrine seems open to very serious objections.

1. Payment according to ability does not so completely govern national finance as the Commissioners seem to suppose. The principle of payment according to cost of services rendered, is often applied, and, owing to the requirements of economy, quite properly applied, to national services. We do not propose to pay the expenses of the Post Office by an income tax or death duties proportioned to the ability of the taxpayer, but according to the number of letters and parcels he sends. There is, too, in the chief European countries, a very large revenue derived from taxes on

alcoholic liquors. Will any one pretend to believe that this taxation is maintained out of respect for the principle of payment according to ability? When did the habitual drunkard become so capable of bearing taxation? There are few forms of expenditure which form a less trustworthy criterion of ability than expenditure on alcohol. We all know very well that the drink taxes exist because, in addition to bringing in a large revenue, they are supposed to limit, to some extent, the consumption of a commodity in which people are prone to indulge to excess.

2. The idea that national and local services can be sharply divided, and the former governed by one maxim of taxation, and the latter by another, is insular and unhistorical. It would not enter into the mind of a German, an American, or even an Englishman or Scotchman who really regarded himself as a citizen of a great empire. The distinction the Commissioners have in their minds is not the distinction between Germany and Bavaria, the United States and Pennsylvania, Canada and Ontario, the British Empire and India, but merely the distinction between England and its urban and rural districts. They do not even seem to have thought about the subdivision of the counties into districts and the rural districts into parishes. When we remember that nations and localities are of various sizes, and think of the enormous changes that have taken place in the frame of government in historical times, we see how unlikely it is that one maxim is exclusively applicable to national, and another to "local" areas.

3. It seems to be admitted that the theory cannot be applied without causing administrative inefficiency. Such a theory is to be at once condemned. To lay down principles and then say they are subject to qualifications and exceptions, was a common practice in the 19th century, but I hope it will not be so in the 20th. There is no more untrue saying than that every rule has its exceptions; a rule with exceptions is no rule at all, but only an inaccurate generalisation. A theory of taxation which cannot be applied is a bad theory.

The object of every good legislature and every good Chancellor of the Exchequer is to raise the money required for government purposes, whether central or local, with as little aggregate suffering as possible. Any one may call this popularity-hunting if he likes, but there is nothing wrong in such popularity-hunting if the populace is not deceived. A government which imposes a tax the bad effects of which are difficult for the populace to follow, in preference to a really less harmful tax of which the bad effects would be more easily recognised, is to be condemned, but when

the effects of the taxes are equally plain to the uninstructed, the most popular will be the best. This does not of course mean that the best tax is that which would get most votes in a compulsory plebiscite: popularity must be weighed as well as counted, and the intense dislike of one man will weigh as much as the tepid liking of three or four; in practical politics it is perfectly well recognised that it is more dangerous to offend 100,000 voters deeply than to offend 1,000,000 slightly. Nor does it exclude consideration of remote as well as immediate effects. Considered in its immediate effects, the kind of income tax described by Professor Edgeworth in one of his fascinating studies,¹ which would simply remove the superfluity of the very richest persons, reducing say every one with more than £50,000 a year to that sum, would be productive of least aggregate suffering. It would make a given income go furthest. But the given income would not remain. The persons with more than £50,000 a year would not continue to have more than £50,000 a year, at any rate within the purview of the state, and next year the limit might have to be reduced to £40,000 a year, and so on till the interference with the productive force of the community far more than counter-balanced the economic saving secured by making the given income go furthest. Consideration of remote effects is not to be treated as if it were consideration of "practical difficulties" interfering with the full adoption of correct theory. Remote are to be considered along with immediate effects, and given an equal place.

The principle of payment according to ability, when applied to payments for certain services which cannot be divided up and sold retail to the consumers, but are performed for the community in a lump, is in thorough accordance with the principle of least aggregate suffering, inasmuch as taxation according to ability practically means taxation which takes the least essential and useful part of the income of the community, so far as that can be done without interfering with production. The various interpretations which we find put on the phrase are due to the different degrees in which people think it safe to approach the system already described, in which the whole burden is thrown on the higher incomes.

When the services performed by the state are of such a character that it is possible to measure, at any rate approximately, how much each consumer has had, and the consumers are able to pay, it is in accordance with the principle of least aggregate suffering to make each person pay according to the cost of the

¹ ECONOMIC JOURNAL, vol. vii. (December, 1897), pp. 550-571.

service rendered to him, because this plan proportions production to demand, as may be seen if we follow out its working.

Whenever the state takes money or services compulsorily and provides in return other goods or services, it is obviously liable to fall into the mistake of asking too much and giving too little. What it provides may not be worth what the taxpayers have paid for it. A most effectual way of preventing such mistakes is for the state only to ask for the money when it supplies the goods or performs the service, and not to insist on any one taking the goods or the service. For example, if the state collected by general taxation money to pay for carrying parcels by post, and then performed the service of carrying parcels gratis in unlimited quantities for every one, a great many too many parcels would be sent by post, and the marginal value of the service rendered would fall to almost *nil*, and the total value would be much less than the cost. To avoid this, the state, instead of collecting the cost of working the parcel post by general taxation, collects it by a charge on the number and weight of parcels despatched by each person, and no one sends a parcel by post unless he regards the service as worth the money. The demand at the prescribed price determines how much of the service shall be performed.

This is the simplest case: more complicated examples are those in which a particular industry is taxed for some expenditure which is for the benefit of the industry. The principle of payment according to cost of service rendered is economical in such a case, because if the industry received special benefit from the state without paying for it, the consumers of the commodity or service would acquire it below cost price at the expense of the taxpayers, and the probability would be that the benefit to them would not equal the loss to the taxpayers. But if the industry be saddled with the special expenditure (*e.g.*, shipping with the cost of lights) the produce will be adjusted accordingly, and there will be no chance of an uneconomical amount being produced.

Another example of the economical character of payment according to cost of service is to be seen in the existence of local taxation. The governing body of a great area is certain to make mistakes and spend money on objects which are not worth it, if it tries, for example, to supply street maintenance, cleansing and lighting, drainage and water supply, removal of house refuse, parks, and the thousand other conveniences which modern civilisation calls for. It could not of course provide these things *ad libitum*, and the imposing of limits would mean the

assumption of the right to determine where increase of population was to be located, and what industries were to be carried on. Blackpool might want many additional attractions, but the Chancellor of the Exchequer or President of the Local Government Board might not approve of Blackpool, and might prefer to spend the national money at St. Andrews or North Berwick. Manchester and the cotton trade might want a Ship Canal, but the President of the Board of Trade might feel a tender interest in hardware and be member for Birmingham. To work such a system economically would require almost as much skill and wisdom as to work the whole country on a communistic basis, and a great deal more virtue, inasmuch as the deflecting force of private interest would still have full sway. Hence it is economical to create or to maintain in every great country small subdivisions each of which is independent for such purposes, and may spend much or little as it chooses, thus taxing itself (in the aggregate) according to the cost of the service rendered.

Even when the state must insist on a certain minimum of service being provided, as in the case of poor relief and police, it is economical to adopt the principle of payment according to cost of service as between different localities, in order to secure efficient management by local persons.

Thus both the principle of payment according to ability and the principle of payment according to benefit, or rather cost of service rendered, have their place in securing economy in the means of raising revenue.

But they do not furnish by themselves a complete guide to economical finance, and it often happens that a considerable portion of the total revenue of the state can be most economically raised by methods which are not suggested by them. There are two important examples of this truth.

One is the taxation of the luxuries which, if indulged in to excess, are harmful. By taxing alcoholic liquor the state manages to divert into its coffers at any rate some money which would have been spent in excessive drinking. So far as it does this it only deprives its subjects of a portion of income which, instead of being essential or even useful to them, would have been positively harmful. This is clearly a most economical kind of taxation: even if the money obtained by it is simply wasted by the state, there is no loss, and if it is spent on any good purpose there must be a gain.

The other important example is to be found in the fact that when small areas are to be taxed at different rates, it is most

economical to tax immovable property only. No intelligent person can read the report or reports of the Local Taxation Commission and the evidence taken before it without being struck by the almost entire absence of objection from the economic side to the English and Scotch system of local taxation in regard to its main principle, the taxation of immovable property alone. That principle is immensely strong. It was not adopted by newspapers, politicians, and Houses of Parliament to win the next election, nor even by a chance decision of the law courts. It was adopted gradually by the common sense of the people nearly all over the country, and when the courts refused to sanction it, it was forced on a reluctant Parliament which has never yet definitely ratified it.

He would be a rash man indeed who would attack it on economic grounds. The first purpose of a tax is to bring in money, and no tax brings in money more easily than a rate on immovable property. It is cheaply collected, it is easily moved up and down without disturbance to trade, and it is as "certain" in the great majority of cases as any tax can be. The only allegation against its economy is that it discourages building and other investment of capital in creatable but immovable property. This of course is true. Every tax discourages some kind of production, because the aim of taxation is to divert a portion of the productive force of the community from producing what individuals desire as individuals to producing something else which they desire in their corporate capacity, and of course a tax on a particular kind of property will discourage the production of that kind more than the production of other kinds, though it is quite wrong to assume that it will only discourage that kind. If houses are more taxed it does not follow that householders will endeavour to recover the whole of the tax by reducing their standard of house accommodation. They may doubtless meet part of the tax by saving in other directions.

But even of the special discouragement to this kind of investment which does take place, it would be rash to conclude without inquiry that it is altogether uneconomic in its action. The major part of the local taxation of to-day is for what may be called public works, and so far as buildings are taxed for these, the discouragement is very like the discouragement which is caused by the necessary expenditure on foundations. Where the expenses of public works are great owing to natural causes or even inefficient management, it is just as right economically that building should be discouraged as where foundations are expensive

owing to the nature of the soil or the incompetence of builders.

The discouragement argument is consequently only valid to a very small extent, and is practically unimportant in this country, except perhaps in some parishes with abnormal school rates. The small economic disadvantage involved is not for a moment to be compared with the enormous disadvantages of other kinds of local taxation with their train of perjury and evasion. No writer on taxes ought to be allowed to ignore the history of English local rates or of the American property tax.

So far we have dealt with economy only, but the principle of least aggregate suffering by no means excludes considerations of equity. A feeling of injustice is a form of suffering which is often acute, and may too lead indirectly, by the disturbance it causes, to more material forms of suffering. But economy must be put in the first place. The first thing to do is to find economical means of raising money. The next to inquire if there is any ethical objection. No individual even of the most rectitudinous type inquires primarily how he can make money equitably. He only tries to make it without injustice, and this is all the state need do. The search for an equitable system of taxation in the abstract is as unpractical as the search for an equitable distribution of wealth. It can only be reasonably conducted by one of those 18th century persons who believe that the existing distribution of wealth is equitable. We of the 20th century are quite content to treat the existing distribution of wealth as a historical fact and to admit that wealth, like the rain, falls on the just and the unjust. All we want to know is what proposals to alter it are equitable and inequitable. Just in the same way we ought to accept our system of taxation as it has come down to us, without pestering ourselves with questions as to whether it would be equitable or inequitable to establish such a system in a new planet, if we happened to be allowed to be the creators of one. All we want to know is whether equity would be promoted by certain alterations in the system.

Here we find in popular discussion considerable complaint that the taxation which is supposed to be more or less in accordance with the principle of ability or cost of service rendered is not more exactly so, but this is rather a matter of detail. We also find pretty general acquiescence in the justice or injustice of the drink taxes, though they are obviously unfair to the people who have a taste for alcohol. But curiously enough one of the

strongest features of English finance from an economical point of view, the exclusive taxation of immovable property, is violently attacked as inequitable. The majority report of the Commission (in a chapter from which Lord Balfour of Burleigh and Lord Blair Balfour dissent) itself speaks of the growth of the amount raised by local authorities having "accentuated the inequality and inequity of the means by which so large a proportion of that revenue is raised." Beyond a suggestion that something of the kind "has been admitted by the great majority of those who have closely studied the subject of Local Finance, and who are entitled to be regarded as authorities on the question," no shadow of an attempt at proof of inequity is to be found in the report. It would be interesting to know who the close students mentioned by the Commissioners are. It is so easy to have such people on your side if you rule out all who are not entitled to be regarded as authorities!

The idea of the Commissioners seems to be that the fact that the great bulk of local taxation is raised from a particular kind of property, namely immovable property, is by itself a proof of inequity, which they seem to confuse with inequality, though they use both words. This notion is entirely erroneous.

If the Commissioners had to legislate for an island on which a number of persons with movable property had just arrived, and had to distribute the land among these persons, would they consider it grossly unequal and inequitable to say that the expenses of government were to be defrayed by rates on land and buildings? In our own country of course we have not to deal with a *tabula rasa*. We have had certain expenses paid by taxes on land and other immovable property for centuries, and the question is not whether it would be just or unjust to impose this unequal taxation in the beginning of things, but whether it would be just or unjust to alter it after it had been long established.¹ What can be more absurd than to assert that A, who has a thousand a year clear from

¹ The pretence that the burden of local taxation in this country is chiefly modern will not impose upon any one with any knowledge of history. The rural landowner has been complaining at least ever since he became able to write. Let us listen to Sir Thomas Culpeper: "It hath ever been the known grievance of this Kingdom, that all the hardships of the Commonwealth were born by Land: Our Land-lords only exposed to be Lords and Deputy Lieutenants, Sherifes, Commanders in the Militia, Justices of the Peace, Jurymen, with divers other chargeable employments general and Parochial: Our Tenants to be Constables, Bosholders, Surveyours, Collectours, &c., Prest to the War, and charged even in Peace; Both of them in their degrees, obliged to Residence and Hospitality, subject to payment of Tithes, maintenance of the Poor, employment of Labourers at certain cost but uncertain Profit, Repaying of Churches, Mills, Bridges, Highways, Sewers, &c., Rarely portending to matters of much advantage."—*Necessity of abating Usury re-asserted*, 1670, p. 1.

land, is unjustly treated compared with B, who has a thousand a year from consols, because if the poor rate were taken off A's land and put on B's consols, A would have £1050 and B only £950? Possibly B sold the land to A and took up consols with the proceeds: why should the bargain be revised? Land has been far too extensively bought and sold subject to the burden of rates to make it just to take the burden off and impose it on other kinds of property. Rateable properties other than land have not only been bought and sold, but have for the most part actually been created or erected subject to the burden. Why should a man who has acquired land or buildings subject to the obligation of maintaining the poor claim that he should be relieved of the charge any more than that he should be relieved of a charge on it in favour of the late proprietor's maiden aunt? The old doctrine was *nullum tempus occurrit regi*; some of our modern would-be reformers have turned the maxim round and hold that no length of time can give the state a good title. From a claim that it is just that immovable property should be relieved from its special burden of rates it is but a little step to the demand that it should be relieved from its special burden of land tax. From the claim that it should be relieved of land tax, again, it is but a little step to the claim that crown land should be handed over to the present tenants free, gratis and for nothing. An ordinary landowner has inherited or bought his land subject to a long standing, well understood permanent charge known as the land tax. If it is just to present him with the charge at the expense of the taxpayers, it is difficult to see why it would not be just to present the crown lands to the persons who happen to occupy them. Equity certainly does not demand that the state should equalise its old demands in respect of different classes of property. By maintaining these old demands it inflicts no injustice on any one, inasmuch as it disappoints no legitimate expectations.

Maintenance of old unequal demands and the making of new ones are, of course, two different things, and it does not follow that because it would be unjust to the taxpayers to remit the present land tax, it would be just to impose a new tax of the same random character. While there would be no justice, but rather injustice, in releasing immovable property from the old charge for the relief of the poor, it would be quite unjust to levy the whole cost of the South African war from immovable property. Some people cannot be got to see the difference. Once unjust, they say, always unjust, and if it would be unjust to put a new special burden on a particular class of property, it must be un-

just to maintain an old burden. These people forget that private property is based on prescription. If they would have the state examine so carefully its title deeds and go back several centuries, let them do the same with regard to their own ancestral property, and if they find that their remote ancestor acquired the property by means of which they cannot approve, let them hand it over to the present occupiers.

The fact is, that in practice, equity in taxation is synonymous with conservatism. There might, of course, be taxes of such a character that no lapse of time would condone their original iniquity. A special tax, for example, on red-haired people, or people under 5 feet 6 inches high, could not be sanctified by any length of time. It would always be equitable to abolish such a tax. But we do not meet with many such personal taxes now: to find actual examples we have to go back to France before the Revolution. The only form in which they linger is that of unequal taxes on different commodities, which result in unequal burdening consumers of different tastes. These do not usually give rise to any very acute suffering.

The conclusion at which we arrive seems to be that economy plays, and should play, a much greater part, and equity a much smaller part, in schemes of taxation than is commonly supposed. Changes which are advocated as highly equitable, though perhaps not very economical, are to be regarded with the greatest suspicion. Equity is ordinarily so well satisfied by a policy of inaction, that desirable changes will usually be made with a view to economy rather than equity.

EDWIN CANNAN

THE THEORY OF PROGRESSIVE TAXATION.

I. Fixation of the Problem.

THE discussion on progressive taxation has suffered much from the fact that the actual question in point has not been stated with sufficient precision. Confusion has specially been caused by the mixing together of two different questions, namely, the question of the progression of the *income-tax*, and the question whether the *whole burden of taxes* ought to increase progressively with the income.

Moreover, neither of these questions is sufficiently determined to be the subject of a really scientific discussion. It cannot *a priori* be decided whether the income-tax ought to be calculated at a proportional or at a progressive rate, this depends first of all upon the position which is given to the income-tax in the system of taxation. If, for instance, the income-tax is to be an atonement for all wrongs caused by the indirect taxation, then, considering the present condition of most countries, a progression of a fairly strong character will be necessary.

The second problem is quite as indefinite, namely, to decide in what proportion the total burden of the taxes ought to increase. In my opinion this question cannot be decided without first considering the objects for which the taxes are levied. It can, for instance, be said that taxes on liquor, which are levied for the current expenses of the State, press on the poorer classes much more than is justifiable. But from this it does not at all follow that a high tax on liquor is always unjust. If, for instance, such a tax is used to supply a sick fund for workmen, or to combat the tubercular disease among the lower classes, then it seems to me to be justifiable, quite independently of the question whether the total burden of the taxes of the working classes is thereby increased over and above the measure which would be fixed by a strict proportion to the taxation of the higher classes. Thus no general scheme for the distribution of the total burden

of taxes can be found. In order to arrive at a really definite problem, it is necessary to leave out of consideration all taxes which are in the special interest of any given class of society; and to fix one's thoughts wholly on those expenses which, being necessary for the State, yet are not in the interest of any special group of citizens. These *general* expenses must clearly be covered according to the *principle of ability*. The income-tax is here of the utmost importance. It is not to be imagined that the income in itself is an absolute measure of individual ability; on the contrary, it is quite certain that one must take into consideration, for instance, the size of the family, the best way probably being to grant certain deductions for each child or other person whom the taxpayer is obliged to support. It is also certain that the income-tax must be supplemented in several respects, particularly by a property-tax of some kind or other. But the income-tax is in any case the key-stone in the system of taxes, which ought to cover the *general* expenses of the State.

The question is, therefore, whether an income-tax which is to fulfil this purpose ought to be made progressive. In order to grasp this problem it must be noted that this income-tax must touch *all groups of society with equal force*, because of the very position which we have given to it in the system of taxes. This is the only way available in a modern State to prevent one class of society from voting lavishly general State expenses, knowing that it will in any case be other classes who will have to pay the greater part of them. It is purely this reason of a practical political nature, characteristic of the parliamentary state, which makes us build the income-tax on the principle of *equal sacrifice*. The problem of the progressive taxation is thus reduced to the following form: "*Which is the proper scale of an income-tax which is intended to cause an equal sacrifice to all citizens?*" It is this problem we here want to discuss.

II. Determination of the tax-rate which produces equal sacrifice.

Those who have wished to deduce progressive taxation from the equal sacrifice principle, have generally tried to lay stress on the fact that £1 is a greater sacrifice for a person who has an income of £100, than £10 for one who has an income of £1,000. Fully valid reasons can be brought forward for this statement. If £1 be taken from a family which has an income of £100, this family will be deprived of its means of purchasing very important necessities. But if an income of £1,000 is

diminished by £10, then it means as a rule only a sacrifice of very insignificant luxuries. The validity of this reasoning is most evident if one brings into the comparison an income which lies on the very margin of what is absolutely necessary for subsistence. A tax of 1 per cent. is for such an income not only very much heavier than a corresponding tax on a larger income, but the sacrifices which are necessary in such a case are, as Mill says, quite incommensurable. Like Bentham, Mill derives from this the necessity of a tax-free minimum of subsistence, and with quite logical consistency, he concludes that this minimum shall be deducted from *all* incomes, so that only those sums are to be taxed by which the different incomes exceed the minimum of subsistence. It is curious that political economists have not yet been able to agree about a thing which seems so evident from a logical point of view, and which would besides afford such great facilities from a purely technical aspect.

Mill refuses to make any further concessions to the defenders of the progressive taxation. That a tax of the same percentage for large and small incomes (the existence-minimum having been deducted from all of them) would cause the lower incomes a greater sacrifice, seems to Mill "too disputable altogether, and even if true at all, not true to a sufficient extent, to be made the foundation of any rule of taxation."¹ And, in fact, these questions, as they are generally brought forward, are certainly too indefinite to serve as the foundation of any scientific discussion.

But it seems to me that the analysis can be carried out in a more profound and consistent manner on the line that Mill has indicated. The reason for making a deduction is that a tax which interferes with the necessities of some classes of society cannot fulfil the conditions of "the equal sacrifice." But it is quite impossible to state any fixed sum which would always correspond to these necessities. On the contrary it is certain that the necessities of life of the higher classes of society are on the average considerably greater than those of the lower classes. If one once grants that a tax which is to produce an equal sacrifice must not take away any of those means which are needed to cover essential wants, then for the sake of consistency the deductions must be made greater for the higher classes of society. It is simply impossible for a professional man to live as cheaply as a common miner. He has outlays for books, paper and corre-

¹ *Principles of Political Economy*, V., II., 3.

spondence, and if he has a family he cannot live and work in only one room. He cannot, in one word, discharge his function in society, and, economically speaking, continue to exist as the same person, if he is reduced to a standard that can be considered as a fair minimum for a common labourer. Such a reduction means, therefore, to him a sacrifice of much the same nature as that of the labourer deprived of a certain part of the necessities for physical existence. Then the professional man, deprived of the possibility of carrying on his profession, will probably not be able to earn anything in a lower grade of work. For some expenses of the kind mentioned above tax-legislation can grant direct deductions; as, for instance, for an artisan's shop-rent or other business expenses. But a number of expenses remain, nevertheless, which are so nearly connected with the personal consumption of the taxpayer, that there can be no question of deducting them as expenses. There is thus no other course open than to confess the simple truth, that the necessities of life are actually, in the present state of society, more numerous for the higher classes. To make this statement more definite we can say that the income which is necessary for a person's economical existence increases on an average with the total real income, but naturally more slowly than this. In fact there would probably be no one, of whatever class or party, who would deny this truth if he were to judge it by itself. But if that is the case one could expect that it would be recognised also in the theory of taxation, quite independently of the consequences to which it might lead.

We are, however, not yet so free from prejudice. The reason why most people are unwilling to grant tax-free deductions to the higher incomes, is probably the widely spread belief that the higher classes would necessarily be specially favoured thereby. But a closer examination proves that this supposition is quite false. If the untaxed deduction increases more slowly than the income, then clearly the remainder increases more rapidly than the income. A proportional tax levied on the remainder is then a *progressive* tax on the total income. Moreover, as we shall see presently, it is possible, by allowing such deductions and taxing the remainders at a constant rate, to obtain as strong a progression as we please.

To recapitulate: The Principle of Equal Sacrifice leads us to deduct from all incomes certain necessities and to tax the remainders at a constant percentage. These necessities are not the

necessaries of merely physical subsistence; but are, to use the language of Prof. Marshall,¹ "*the necessities of efficiency.*" Then as soon as taxation would interfere with the efficiency of any special class of the community, the sacrifice of this class would be, in Mill's terms, quite incommensurable with that of the other classes, taxed only out of their surplus income above the margin of efficiency. Thus "*Equal Sacrifice*" means *deduction of the Necessaries of Efficiency and a proportional tax on the remainders.*

The question how to construct an income-tax, meant to produce an equal sacrifice, is thus reduced to the problem: What are the average necessities of efficiency in the different grades of income? We know already that these necessities *increase* with the incomes, but more slowly, and, consequently, that we, by deducting them and taxing the remainders at a *uniform* rate, will arrive at a *progressive* tax.

However, before we enter upon the technical details of the construction of a progressive scale on these grounds, we must glance at the technics of progressive taxation, as far as it has been developed hitherto.

III. Criticism of the ordinary methods of Progressive Taxation.

According to the popular scheme for progressive taxation, the incomes are divided into different groups, and each group has a fixed tax-rate. It is this method which has given to progressive taxation the character of complete arbitrariness which makes it unacceptable to most right-minded people. It is difficult to get any real hold of this problem. The division of the incomes into separate groups, as well as the tax-rate which each group ought to pay, can be varied *ad infinitum*, and particularly there is no limit to what may be required from the higher incomes.

Besides, the method—if indeed it can be called a method—is very incomplete from a technical point of view. This can best be shown by an illustration. Let us suppose that the following scale has been chosen :

Incomes from	0s. to	500s.	pay	0 per cent.
" "	500s.	" 2,500s.	" 1	"
" "	2,500s.	" 8,500s.	" 2	"
" "	8,500s.	" 20,500s.	" 3	"
"	above 20,500s.		" 4	"

¹ *Principles of Economics*, Vol. I., book II., ch. III., § 3; 4th Ed., p. 187.

Then at every rung of the ladder there will be a discontinuity of the taxes. When the income exceeds the limit of 500s., the tax is suddenly increased by 5s. This is clearly unjust. At the margin of 2,500s. the tax is doubled, although the income may have been but slightly increased. In scientific and parliamentary debates, as well as in legislation bills it has often been urged that this weakness is an outcome of the very nature of progressive taxation, and cannot be avoided. But there is really nothing more simple than to arrange so as to avoid these discontinuities. To do this we have only to imagine the different shillings of which the income consists, as arranged in a certain order and set down that:

For each one of the first	500s.	0 per cent. is paid.
„ „ next	2,000s.	1 „ „
„ „ „	6,000s.	2 „ are paid.
„ „ „	12,000s.	3 „ „
„ „ following shillings	4	„ „

It would be an important progress if this simple reform in the technique of taxation could be agreed upon. In this manner every discontinuity is avoided, and the danger of the whole income being at the end swallowed up by an unlimited progression is eliminated. Then even if the last shillings of a very large income should happen to be taxed at an unreasonably high percentage, yet will the preceding ones thereby be left intact and be dealt with just as if they had been parts of a smaller income.

Now, it is easily seen that every continuous scale of this nature can be obtained just as well by the method of deductions from the real income. In the above supposed case we should have to allow the following deductions:

For each of the first	500s.	a deduction of 100 per cent.
„ „ following	2,000s.	„ 75 „
„ „ „	6,000s.	„ 50 „
„ „ „	12,000s.	„ 25 „
For all following shillings		„ 0 „

and then tax the remainders at a common rate of 4 per cent.

Or, to state it generally, if the different groups are to pay a tax of $p_1, p_2 \dots p_n$ per cent., the same result can always be attained by levying the tax according to a common rate P , which

is not less than any p . But one must at the same time grant a deduction in each group of :—

$$\frac{100(P-p_1)}{P} \text{ per cent., } \frac{100(P-p_2)}{P} \text{ per cent., \&c.}^1$$

In the theory of taxation, attempts have been made to distinguish between progressive and degressive taxes. The latter expression has generally been used to denote a tax which starts with a fixed percentage; with which, however, certain deductions have been granted to the lower incomes. We see now that this difference is quite fictitious; in fact, one can by means of the system of deductions, produce *as strong a progression* as one likes. It is, in fact, in the granting of untaxed deductions which are larger for the higher incomes and then imposing a proportionate tax that the only really rational method of constructing progressive scales of taxation is to be found.

Consequently we need not discuss, in the theory of progressive taxation, any other question than what deductions shall be granted to the different incomes. Within the limits thus given to the discussion, all materially different scales of progression can be advocated. Now I hold that these deductions must be computed in accordance with the Principle of Equal Sacrifice, interpreted in the way we have done above; and therefore a material and, indeed, very necessary restriction is laid upon the infinite arbitrariness of the general conception of progressive taxation. I think that no valid objection can be raised against this proposition; but, of course, the views will diverge considerably when it comes to the arithmetical determination of the necessities of efficiency of the different classes of society. If we allow very high margins for the fullest efficiency of the manual labourers and for the lower middle-class, we will get a very strong progression. On the other side, if we, as many conservative people do, think that the lower classes need nothing more than they have, indeed, cannot make any good use of more, we should perhaps limit their deductions to the barest minimum of physical subsistence and thus come to a nearly proportional scale. We see thus, that the two principles which struggle with one another in the battle on progressive taxation, the democratic and the plutocratic principle, are still acting with full force on the limited field we have allowed for the

¹ It is easily seen, in the same way, that generally *every* progressive scale—even a discontinuous one—can be obtained through allowing suitable deductions to the different incomes, and taxing the remainders at a constant rate.

discussion. But they are deprived of their usual arbitrariness and vagueness, and the problem of progressive taxation is brought into immediate connexion with the general views of the end and the means of the progress of the human race taken up by the different parties.

The English income-tax is generally considered as the type of a degressive tax. Opponents to progressive taxation regard England as the country from which to get the model of a true income-tax. On the other hand, in Germany, where progression is generally carried out, people pride themselves on being far in advance of England in development, since England has not yet ventured to leave the primitive stage of degression. We can easily realise the absurdity of such talk, by drawing the curve which denotes the English income-tax, as it has been during the last years, and on the same paper the curves of some of the income-taxes, which have been suggested, or are in use on the Continent. It will then be seen that the English curve begins below the others, and ends in exceeding many of them. And if we look at the English income-tax since the last increase to 14*d.* in the pound, we must admit that England now occupies the leading position in Europe as regards a strongly progressive taxation,—and this in spite of her so-called “degressive” system.

IV. Technique of the Progressive Taxation.

It is of course a crude method to let the untaxed deductions increase in the way we have indicated in our illustration. This method is also unsuitable from a practical point of view ; because as yet it gives room to too much arbitrariness, and it affords but little guidance to the fixing of the amount to be deducted from the different groups of incomes. In a progression founded on a really scientific basis, the deduction must increase as a continual function of the income. This function ought, moreover, to be chosen as simple as is consistent with the freedom necessary to its adjustment to varying circumstances and to the needs of different countries. A linear fractional function seems the best for the purpose. If we suppose the income to be x , and the untaxed deduction to be y , then we have :

$$y = \frac{\alpha x + \beta}{\gamma x + \delta}.$$

This function contains three independent constants. The constant tax percentage, P , must also be taken into consideration, so

that we have really four constants at our disposal, in order to adjust the rate of taxation to existing circumstances. The tax s must be calculated according to the formula :

$$s = \frac{P}{100}(x - y).$$

In order to obtain a continual tax-rate which corresponds as much as possible to that given in our illustration, we must make

$$s = \frac{4}{100} \left[x - \frac{14000x + 1000000}{x + 15500} \right].$$

The taxes calculated by means of this formula correspond to those which were obtained by means of the former method for the incomes 500s., 2,500s., 8,500s., and 20,500s., amounting in percentage of the whole incomes respectively to 0 per cent., 0·8 per cent., 1·65 per cent., and 2·44 per cent. The rate of percentage increases for the higher incomes, yet without ever reaching 4 per cent.

In order to make the general formula practically useful, it is necessary to write it in such a form that the meaning of the constants becomes quite clear. For this purpose it is best to introduce the untaxed minimum of existence, e , as a unit, and accordingly write :

$$x = eu; \quad y = ev,$$

where u and v denote the income and the deduction respectively, expressed in the unit e . We further introduce a new term, the *maximum of subsistence*, by which we understand the upper limit of the untaxed deduction which is granted to any income.¹ This maximum of subsistence we denote by m . The untaxed deduction, which lies midway between the maximum and the minimum, we might call *medium of subsistence*, and denote by $e\frac{m+1}{2}$.

Now, according to this agreement as to the signification of our letters, v ought to be a linear function of the income u . We write this function thus :

$$v = m - (m - 1) \frac{n - 1}{u + n - 2}.$$

We see that when $u = 1$, then $v = 1$; when u is infinite $v = m$; when $u = n$, then $v = \frac{m+1}{2}$; or in other terms, when $x = e$,

¹ Thus the terms "minimum and maximum of subsistence" are to be understood as "minimum and maximum of necessities of efficiency."

then $y = e$; when x is infinite $y = en$; when $x = en$, then $y = e \frac{m+1}{2}$. That is to say that when the income is equal to the minimum of subsistence, then the deduction is equally large, so that the taxable income is nil, as it ought to be. Further, when the income increases to a certain point en , then the deduction is equal to the medium of subsistence. Finally, the maximum of subsistence is the upper limit, towards which deductions grow, when the income grows *ad infinitum*.

In order to make the tax-rate quite definite, it is thus necessary to fix the following four elements; (1) the minimum of subsistence; (2) the maximum of subsistence; (3) the income which is to enjoy a deduction equal to the medium of subsistence; (4) the constant tax-percentage.

It seems, nevertheless, unnecessary to have so many elements at our disposal. The number can be further reduced by one, by deciding once for all that the income at which the deduction is equal to the medium of subsistence must be equal to twice this medium. That is to say, that when the deduction has reached the medium of subsistence, it amounts to half the income. This decision touches really but the form of the tax-rate, not the limits between which it moves. And it is always possible to obtain a good and even progression by disposing of the three remaining constants in a suitable way. Thus the arbitrariness which attends a progressive taxation is reduced to a minimum; at the same time a freedom of adjusting details fully sufficient for all conditions, is guaranteed.

By applying this simplification we can put $n = m + 1$, and thus we obtain :

$$v = m - \frac{m(m-1)}{u+m-1}$$

We must add to this formula :

$$x = eu, y = ev,$$

and

$$s = \frac{P}{100} (x - y).$$

For instance, if we suppose the minimum of subsistence in Great Britain to be £100, the maximum to be £600, and the tax-rate to be 8 per cent., then the tax must be calculated according to the formula :

$$\begin{aligned} s &= 8(u - v) \\ &= 8u \frac{u-1}{u+5}, \end{aligned}$$

where u means the income, reckoned in hundreds of pounds. We see that the tax-rate, starting from *nil* at the income of £100, rises continually to 4 per cent. at the income of £700, to 6.4 per cent. at £2,500, to 7.4 per cent. at £7,500, and so on without ever reaching the rate of 8 per cent. But such a tax would probably yield less than the actual English income-tax.

Thus to construct a progressive scale of taxation we have first to come to an agreement as to the necessities of efficiency in the different grades of incomes. This point once settled, we must deduct these necessities from the real incomes and see how much remains at the disposal of the Chancellor of the Exchequer. To calculate this aggregate taxable sum we must have complete statistics of the actual distribution of incomes in Great Britain. Finally, we must divide the so calculated tax-capital into the sum which the income-tax is supposed to yield in the current year: the quotient is the constant tax-percentage P to be paid out of all the taxable incomes.

We see then that for the complete determination of the progressive tax it is only required to fix three elements, namely,

1. *The minimum of subsistence, e .*
2. *The maximum of subsistence, $e m$.*
3. *The tax-percentage, P .*

The first and last of these three elements must be determined, whatever tax-rate is chosen. Only one new determining element, the maximum of subsistence is added in the case of a progressive rate, such as it has here been suggested. But this element has quite a definite meaning, and it is comparatively easy, with some knowledge of existing conditions in the country, to find a fairly true standard of this maximum of subsistence. It must be equivalent to the sum which constitutes for the higher classes a real minimum of subsistence, below which they cannot possibly go without failing in the fulfilment of their essential duties.

The theory of progressive taxation seems herewith reduced to its simplest possible form; and at the same time it may be affirmed that no country is in need of a tax-rate which does not allow itself to be included in the form given above.

G. CASSEL

THE ECONOMIC EFFECT OF THE TRAMWAYS ACT OF 1870.¹

THE Tramways Act of 1870 has now been in operation for thirty-one years, and has never been amended. It is therefore possible to attempt an estimate of the economic effect of this peculiar legislative experiment. I believe it to have been, on the whole, the most disastrous legislative experiment which has been attempted in England during the last half century, and I shall try to give reasons for this opinion.

I desire to say at the outset that I am not in any sense an opponent of what is sometimes called Municipal trading. I believe that the supply of water and even of light is usually better managed by a municipality than by a company. The public necessity in those cases is so pressing and self-evident that no elected body can safely be negligent in supply. Success in management depends mainly on the engineers, and corporations are as likely to have good engineers as companies. The duties of the supervising committee—be it a committee of a town council or a board of directors—are mainly to check expenditure and to prevent or remove causes of public complaint, and these duties are generally performed rather better by a municipal committee than by directors.² There are many things besides water and light which can be very well supplied by municipalities, and I am even of opinion that in the matter of tramway management there is little to choose between the best municipal and the best

¹ A paper read before the Economic Section of the British Association, 1901.

² Municipal socialism is in England sharply distinguished from state socialism in two respects. The council through its committee exercises a direct supervision which is much closer than that which the parliamentary ministers exercise over their department, and the committees in turn are more directly controlled by the council than ministers by Parliament, there being no "administration" theory to shield incompetence. In the second place the position of the town clerk (who has a much more direct personal responsibility than any single government official), gives opportunities for individual initiation and distinction usually lacking to the official of the central government.

private management. Any reflections which I may have to make on the Tramways Act of 1870 are not those of an anti-municipal bigot. I would go so far as to contend that even from the point of view of the ardent municipaliser the Tramways Act was a mistake.

I. *History and Effect of the Act.*

In the year 1862 it was decided in the case of the *Queen v. Train* that the laying and maintaining of a tramway in a street without the authority of Parliament, though under agreement with the local authority, was a public nuisance, even though the tramways might be for the convenience of the public generally. The decision did not chiefly rest upon the mere breaking up of the streets during construction, but rather upon the nuisance supposed to be caused by the skidding of vehicles on the lines. It was at variance with the decisions of the American Courts, which have in most States taken the broader view that inasmuch as the road is dedicated to the public for the purpose of passage, anything like a horse tramway which facilitates passage may be authorised by the municipality in whom the road is vested. But *Reg. v. Train* is the law of England, and since this decision nobody has been able to lay a tramway here without Parliamentary authority. A horse tramway is a very simple and inexpensive affair, and even a steam tramway was not usually long enough to require very heavy capital expenditure. The cost of obtaining a Bill was therefore excessive in proportion to the total expenditure, and the primary object of the Tramways Act of 1870 was to facilitate tramway construction by reducing the cost of obtaining Parliamentary authority. The Act substituted Provisional Order for Bill—a change which was supposed to be likely to bring about uniformity of drafting and substantial economy in costs.

The legislative authority to construct a tramway was, however, hedged round with conditions :—

(1). No land can be taken compulsorily for street widening or any other purpose under a tramway provisional order.

(2). No tramway in a town can be authorised by provisional order to be so laid that for a distance of thirty feet or upwards a less space than nine feet and six inches shall intervene between the outside of the footpath on either side of the road and the nearest rail of the tramway, if one-third of the frontagers object.

(3). No provisional order can be granted unless both the local

and the road authority for two-thirds of the length of the tramway consent.

(4) The franchise cannot be perpetual, and in normal cases the local authorities have a compulsory power of purchase at the end of twenty-one years, and, if not previously exercised, at the end of each successive period of seven years, on paying "the then value (exclusive of any allowance for past or future profits of the undertaking, or any compensation for compulsory sale, or other consideration whatsoever)."

It may be mentioned that the Act did not prevent the promotion of tramways by Bill, but such applications were discouraged, and the Bills, under the operation of the Standing Orders of the two Houses, were usually made to conform to the general law.

II. *The Vice of the Departmental Method of Legislation.*

The departmental method of legislation is in itself vicious. It saves little or nothing in costs except in House fees. The House fees are a form of taxation analogous to Court fees, and it would be perfectly easy for Parliament to reduce those fees in all cases and not only in the cases where legislation proceeds by delegation. The departmental order carries with it so little respect that it has to be confirmed by Act of Parliament, and the confirming Bill may be opposed before committees in both Houses. It was believed that a saving would be effected by the holding of a local inquiry, which would satisfy reasonable opponents, and the Board of Trade are empowered to hold such an inquiry. But there is no more unsatisfactory form of judicial proceeding than a local inquiry by a Department. The Board of Trade are not itinerant like the Judges of Assize. They send down an inspector. The inspector listens to all the evidence, and takes a careful note of it. He may even look at the road. But the one thing he cannot do is to decide. He reports to the Board, and the Board decide. Who "the Board" is for this purpose nobody exactly knows, but it must be somebody in London who has neither heard the evidence nor seen the road. It is creditable to the sense of humour of the Board of Trade, that of recent years local inquiries under the Tramways Act have been comparatively seldom held. Usually the provisional order is made without any pretence of hearing the parties. The opponents send in their objections in the form of a letter to the Board of Trade. The Board send on the letter to the promoters for

their observations. The Board consider whether on the letters a case has been made out, and, if satisfied, make the provisional order. Naturally a decision so arrived at has no weight, and any strong opponent, such as a railway company, is usually advised to carry the opposition before a Parliamentary committee. Thus, save in House fees, the promoters practically say nothing by the procedure by provisional order.

It may be suggested that the departmental method has at least the advantage of securing uniformity in drafting. Uniformity is very dear to the heart of the permanent official. The electrical department of the Board of Trade have carried their love of it so far that where a lighting order is transferred from a local authority to a company by agreement, they refuse to insert in the deed of transfer any provision for a lower maximum price than that prescribed by the original order. Thus, when the local authority have secured, as a condition of transfer, a boon to all the consumers of electrical energy in the district, they have to resort to a private agreement, which may not be very easy to legally enforce, because the Board, out of their love of printed forms, do not consider the matter fit to be dealt with in the formal deed of transfer. Uniformity, in this and many other cases, is a rather doubtful legislative virtue. It may nevertheless be admitted that there is some value in model clauses, and that it is convenient both to lawyers and to the public that constantly recurring difficulties should be dealt with in the same carefully considered words. Gas and water pipes, for instance, have to be interfered with in constructing all tramways, and it is convenient that there should be a standard clause for the protection of their owners which will not be varied save in really exceptional cases. In the procedure by Bill this uniformity is secured, so far as is desirable, by the benevolent despotism of the Lord Chairman of Committees in the House of Lords and his counsel. It is at least curious that in the case of tramway legislation it has been better secured in Bills than in Provisional Orders. There are more bad precedents and more unintelligible clauses in tramway provisional orders than in any other part of the Statute Book. Thus, even the dull merit of uniformity must be denied to this particular kind of departmental legislation.

It may be said, broadly, that the first essential for any successful legislation by delegation in local and personal matters is that there should be a commission or tribunal consisting of men of position or authority who should themselves hold the local inquiry and have power themselves to decide. Such an inquiry

will usually satisfy opponents that they have been fairly heard, and prevent them pursuing their opposition further, even if an appeal to Parliament be allowed. It will be possible to leave to such a tribunal a wider discretion than Parliament would be likely to confide to a department. There is no kind of local legislation for which such a wise delegation is more useful than the authorising of tramways, involving as it does minute questions of interference with frontagers' amenity or other matters which can be better decided after viewing the street than after days have been spent in London hearing evidence and looking at plans. But the local inquiry is obviously useless unless the people who hold it are the people who decide. This essential condition has been complied with in the Light Railways Act of 1896, and in the Scotch Private Bill Procedure Act of 1899, and in both cases with satisfactory results.

It would not be fair, however, to put down the failure of the Tramways Act merely to the inherent vices of the departmental method. Parliament has very strictly limited the powers delegated to the Board of Trade, and has thus made the working of the Act at once departmentally simple and economically ineffective. The main vices of the Act are the excessive deference paid to adjoining landowners and to local authorities.

III. The Want of Compulsory Powers for the Taking of Land.

It is notorious that English roads are often narrow, tortuous and irregular. Save for the roads made by turnpike trusts, they are usually either old highways of immemorial antiquity, or new roads laid out by landowners when developing their property for building. Both are bad, but the new roads are usually, for the purposes of rapid intercommunication, the worse of the two. The cost of roadmaking is the heaviest part of the expenditure incurred by suburban landowners. They economise it as much as they can, firstly, by making the roads as narrow as the bye laws of the local authorities will allow; secondly, by making them curve or zigzag so that no part of their properties (usually of irregular shape) shall be left unavailable for profitable development; and, thirdly, by giving as little advantage as they can to adjoining landowners. Their object is to secure as much quiet and as much frontage as the law will allow. Roads so laid out cannot always be suitable for tramways without alteration. Under the Tramways Act land cannot be taken compulsorily for

widenings. Promoters tried to get over this difficulty by single lines, by awkward curves, by choosing roundabout routes and by other devices. All these engineering tricks merely led to the construction of bad tramways. There are very few English towns in which it is possible to make a good tramway suited for electric traction without some road widenings. In many places, especially near London, the best and cheapest plan would be to construct a new main road for tramway purposes, as has been done, for instance, in Thanet, under the Light Railways Act. In other words, for nearly all good tramway schemes it is still necessary to go to Parliament direct, or to proceed under the Light Railways Act. Under the Light Railways Act, though the land may be taken compulsorily, there is unfortunately no power to exempt from Section 92 of the Lands Clauses Act, that is to say, if a small slice of a front garden be taken, the owner can compel the promoters to buy his whole premises. But by Provisional Order under the Tramways Act no land can be taken compulsorily under any circumstances. If procedure by Provisional Order be an advantage to promoters—and it is an advantage, at least to the extent of the freedom from House fees—the legislature thus discourages good schemes and encourages bad. This is one of the reasons why, though we have so few tramways, we have so many which are of no public utility.

IV. *The Frontagers' Veto.*

The frontagers' veto is another legislative restriction which has had the most ridiculous results. The law provides that if in a town for more than 100 feet there be less than 9 feet 6 inches intervening between the outer rail of the tramway and the kerb, one-third of the owners or one-third of the occupiers of premises abutting can absolutely veto the tramway. It is doubtless right that the amenity of adjoining owners should be considered, and it is also right that tramways should not be constructed in very narrow roads without widening, if widening is possible at reasonable cost. But an absolute veto based on a mere rule of measurement, while it makes the work of legislation a very simple and almost arithmetical matter for officials in Whitehall, has had most unfortunate practical results. There are often short lengths of street, important for the linking up of a through system, which cannot be widened save at enormous cost. Whether the frontagers' opposition should or should not be overruled in those cases depends on the nature of the street

and the balance of public convenience. Obviously, for instance, it is more important for a shopkeeper than for the occupier of a £20 villa to have room for a carriage to wait at his door. The straightness of the street is almost as important as the width in considering whether a line should be authorised in a narrow street.

The Board of Trade were relieved, however, from all exercise of discretion by the mere legislative rule of thumb. It therefore became necessary for the tramway engineer to get round the Act as best he could. He noticed in the first place that the test was not the width of the road but the distance from the outer rail to the kerb. His first trick was therefore to adopt a narrower gauge to get him out of his difficulty. It was possible to save nearly three feet on a double line by adopting a 3 ft. 6 in. gauge instead of the standard 4 ft. 8½ in. Hence it comes that there are varieties of gauge which make urban intercommunication very difficult. The engineer's second alternative was to adopt a single line where a double line was required to deal with the traffic. He would put long lengths of single line, with passing places fixed not by considerations of convenient working, but so as to front on premises supposed to be owned or occupied by people who liked tramways. These single lines were generally commercially unsuccessful, for the very good reason that they could not give either a rapid or a regular service. Nor was even the comfort of the frontagers secured. A tramcar in motion following the line of the traffic is not much in anybody's way even on a narrow road, but a tramcar stopping to wait till the car in the opposite direction passes is an obstruction even on a road of fair breadth. The Parliamentary rule of thumb has prevented many tramways being made which would have been very useful, and has forced engineers to lay out lines which might have been useful in such a way that they have been at once a nuisance and a waste of capital. There is nothing to be said for the rule except that it saves officials the trouble of exercising a reluctant discretion.

The veto of the frontagers does not apply when the promoters go to Parliament direct,¹ but

¹ This is one of the reasons why of recent years so many promoters have chosen to promote Tramway Bills rather than Provisional Orders. Local authorities have taken the same course, usually putting their tramway proposals, with other proposed changes of the law, in a general or "omnibus" bill for the locality. There is no sort of frontager's veto under the Light Railways Act, but all persons affected (and not merely frontagers in narrow places) have a right to be heard before the Commissioners.

V. *The Veto of the Local Authorities.*

applies under the Standing Orders of Parliament as much as under the Tramways Act. No tramway can be constructed without the assent of the local and road authorities for two-thirds of the length. This means in London both the County Council and the Borough Council, either of whom may veto the project, and elsewhere the Borough or District Council¹ save where the road is vested in the County Council, in which case the assent of the County Council also must be obtained. There are excellent reasons why the local authorities should be consulted as to whether a tramway should be authorised, and probably most Councils exercised the power vested in them on good public grounds. But in many cases the power has been grossly abused. Many Town Councils consider it their duty to get as much out of the tramway company, in the interests of their constituents, as they can. Sometimes they ask for widenings which are not required, sometimes for royalties,² sometimes for wood paving or electric lighting on a country road. The local authority need give no reason for refusing their assent, and there is no appeal. Promoters have generally to resort to canvassing and other more objectionable methods to "work" the councils. Sometimes they intervene in the local elections; sometimes they go as near bribery as the law allows. The best class of capitalist is averse to this kind of promotion. He often finds himself unable to compete with a rival who offers terms recklessly, because the rival has no thought of risking his own money, but intends to sell his concession to a company. The scheme which is laid out broadly to serve a big district is often less likely to obtain the assents than a petty scheme of no public utility.

It may, I think, be said that the cases of flagrant abuse of veto are not so frequent as in the early days of tramways. There is a higher standard of public conduct, and the general desire for improved means of locomotion makes it sometimes unsafe for town councillors to oppose improvements. But the veto has undoubtedly had very serious results, in preventing tramways

¹ In rural places the vetoing local authority is the parish council under the Tramways Act, the rural district council under the standing orders of Parliament.

² The policy of Parliament has been to discourage royalties for the use of the streets for any public purpose. It is open to argument whether this has not had the effect of driving some corporations unwillingly into tramway construction as the only means of intercepting for the ratepayers the inevitable profits of tramways in the town. In Dublin and elsewhere royalties are in fact, however, paid, being secured by agreement, usually without parliamentary sanction.

being made on any comprehensive plan, in overweighting them with conditions, and in helping to drive the soundest capitalists out of tramway enterprise.

At the moment it is operating injuriously in another way. There are many cases, especially in or near London, where tramways are opposed from the dislike of better means of communication, bringing, as they would be likely to do, a larger working class population. For a veto based on this sort of selfishness there is nothing to be said.

There is no probability that the abolition of the veto would lead to the authorisation of many tramways to which the local authorities had a *bona fide* objection, but it is essential that there should be some power to overrule the opposition if it is merely factious or incivic. Under the Light Railways Act there is no formal veto, but very few lines have been authorised to which the local authorities had any substantial objection. What has happened is this. Local authorities have professed to oppose and sent in formal objections, but these objections, when tested in a public inquiry, have often turned out to be mere matters of clause, capable in many cases of adjustment, and in others proper for decision by an independent tribunal. The same thing would happen if local authorities could not prevent the passing of tramway schemes by a mere formal dissent.¹

VI. *The Purchase Clause.*

The principal novelty in the Act of 1870 was the Purchase Clause. It was based on what at first sight would seem good reasons. The tramway promoter asked leave to use the public street for the purpose of laying down grooved rails of which he would have the exclusive use for vehicles with flanged wheels. The gas promoter and the water promoter also asked leave to break up the street, and also obtained a virtual monopoly of

¹ It is very remarkable that both the veto of the frontagers and the veto of the local authorities have existed in America without preventing tramways. In nearly every state the assent of the local authority is made, either by statute or the constitution, an absolute condition, which there is no power to override. In most states the assent of a majority of abutting owners—not merely frontagers in narrow places—is required, though there is in some states a power to override the refusal. The fact that similar regulations have worked so much more injuriously in England must be attributed to (1) the greater desire for residential quiet, (2) the less developed sense of the importance of time, (3) 'gigmanity's' objection to tram rails, (4) the view that 'if the thing is to be done, the Corporation should do it,' and (5), generally, to the less progressive tendencies of the people, and especially of the suburban residents.

the right of supply, but once they laid their pipes in the *solum* (which does not belong to the local authority), they did not interfere with the surface save for the purpose of repair. Even in their case, local authorities had felt it a grievance that they could not purchase the undertakings save by obtaining a special Act and paying a price which included an allowance for goodwill due largely to the mere increase of population. As the tramway would permanently occupy part of the roadway dedicated to the public, it was thought right to give a power of public resumption at the end of a fixed period on payment of a price which would return to the promoters their capital expenditure less deterioration.

This was a complete innovation in English Parliamentary practice. In some countries, there is a public right to resume railways at the end of a certain period, justified sometimes on the mere ground that the companies obtain state assistance in compelling landowners to sell their land, sometimes on the ground that they obtain a virtual monopoly of a service which is of public necessity, and sometimes on the ground that they have received financial assistance from the State. In England and America, however, railway property is as permanent as any other property. There is only one case in England in which the compulsory acquisition of a railway has been authorised, and that was a peculiar case in which powers to construct a railway were really being used to block a through route. There is no precedent for State resumption even for misconduct. Indeed railway property is so jealously guarded that a railway cannot be sold by mortgagees who do not receive their interest.

In the case of gas undertakings there are a good many precedents for compulsory acquisition by the local authorities, but

(1) The purchase requires a special Act of Parliament.

(2) The Company opposing the Bill have almost always been successful where they could prove that they have performed their statutory duties adequately; and

(3) The price has always been the full market value, arrived at on the same basis as when other property is compulsorily acquired by Act of Parliament. Thus it includes goodwill, and is based not so much on the cost of the company's works as on the profits which the shareholders have enjoyed and are likely to enjoy. It also includes an allowance for compulsory purchase. This allowance in the case of lands is usually ten per cent., but is not so great when the property is represented by shares. It is

a sum sufficient in the arbitrator's opinion to cover the cost of reinvestment.

Parliament has sought to control gas companies rather than to facilitate their extinction. Thus under the auction clauses, the capital must be put up for sale to the highest bidder, and the money thus received on the best market terms must be applied in supplying gas. The dividends were from a very early period limited to a certain maximum percentage. This has been varied by allowing a company to divide a larger sum in profits, according to a sliding scale, when the price of gas is reduced, thus giving the company a motive for economy and efficiency.

Water being a necessary of life, Parliament has in many cases of recent years allowed the local authorities to compulsorily acquire Water Companies' undertakings without any substantial complaint as to the service, but save in this respect the practice as to purchase has been the same as in the case of gas companies.

The Tramways Act was therefore, as I have said, a complete innovation. In one respect it may be said that this innovation has now been so generally accepted that it would be useless or merely academic to discuss its advisability. That is to say, most people now agree that the local authorities should not have to seek a special Act of Parliament before purchasing tramways, but should be enabled to buy at the end of some fixed period. The power of expropriation on any terms and at any time must mean a certain increase of difficulty in raising capital—as was admitted by London County Council witnesses last session on the Tube Bills—but it would be practically hopeless for any one now to propose to lay a tramway in an English town without giving the local authority power to buy him out at some time.

The features of the Tramways Act purchase clause which may be considered open to profitable economic discussion are three :—

- (1) The shortness of the period at the end of which purchase operates,
- (2) The method of valuation, and
- (3) The power to break up an undertaking among the several local authorities of the areas served.

On the last point it seems only necessary to say that there is no possible justification for the present state of the law, which permits local authorities to break up an undertaking into sections, without any provision, save by special Act of Parliament, for mutual running powers, or even for facilities. There is no power at

present in anybody to order a through fare over the tramway so divided.

The period of purchase under the Act is twenty-one years from the date of the authorisation of the tramway. This means in practice eighteen or nineteen years from the date of opening for public traffic. The method of valuation, as afterwards interpreted by the House of Lords,¹ is, firstly, to calculate what would be the cost at the date of purchase of constructing the line, secondly, to take off from this hypothetical cost an allowance for deterioration due to wear and tear or to neglect, and, thirdly, to add the amounts actually paid by the promoters for street widenings and improvements. Each local authority can purchase the section of line within its area without making any provision for working the system as a whole, and whether or not other local authorities exercise their power of purchase.

Mr. Shaw-Lefevre, who was the minister in charge of the Tramways Bill, said, in defending his proposals, that as there was no provision for the limitation of profit he did not think capitalists would be discouraged by the purchase clause from investing their money in tramways. He supposed, in other words, that they would look to recoup themselves by a high profit for a few years for the limitation on the capital value of their investment. It cannot be said that this prophecy was not at first justified by events. During the first ten or twelve years after the passing of the Tramways Act there was a great crop of promotions. The gentlemen who obtained the powers did seek to

¹ It was no part of the purport of this paper to discuss the decision of the House of Lords, which to lawyers is not open to question. From the point of view of the economist, however, the construction given to the purchase clause of the Tramways Act is not without interest. Parliament said that the company were to get the "then value," but that in calculating the then value no allowance should be made for past or future profits of the undertaking. Puzzle: What then is the value, and how is it to be calculated? According to the economist (Walker, *Pol. Econ.*, p. 85), "value is, briefly speaking, purchasing power, or power in exchange," price "the purchasing power of an article expressed in terms of money." The main and almost the only factor to which any ordinary purchaser would look in fixing the price of a tramway would be its profit-earning capacity. Yet Parliament directed the arbitrator in fixing the price to leave profits out of account. The arbitrator could only conclude that Parliament, in its wisdom, had used the word "value" in some other sense, hitherto unknown to economists, lawyers, or men of business. The "Bramwell award," upheld by the House of Lords, was probably the best possible guess under the circumstances at the meaning of Parliament, but it fixes the price at something which is quite different from the value in the non-parliamentary sense. Under the Light Railways Act, the purchase clause usually adopted gives "the fair market value as a going concern." To the economist the word "market" may seem superfluous. It merely makes clear the intention to once again use "value" in its ordinary signification.

make their profits as quickly as they could. The more careful managed to secure the best streets in big towns, and sat down to earn big profits. They said that there was no proper business motive under the Tramways Act for extension into growing districts, where the tramways would not pay for some years, and they did not make any extensions they could help. The majority of tramway promoters took a more adventurous line. They noticed that the Board of Trade not merely did not limit the dividend, but did not limit the capital of tramway companies. They obtained their powers, capitalised them at whatever figure they thought the public would stand, floated their company, took their profits, and cleared out. As a matter of course, only a few of these gentlemen were able to carry out this operation to their own complete satisfaction. Sometimes the public altogether refused to come in. The better-instructed investor has always avoided tramways; only those who did not understand the Act looked upon tramway shares as a steady permanent investment. Thus there were a whole host of abortive schemes which could never be financed, and which had to be abandoned. In other cases the flotation was half successful, the contractor was partly paid in paper, and the line was badly constructed.

The great feature of tramway promotions, as distinguished from most railways and the vast majority of gas and water undertakings, was that the original promoters generally cleared out as quickly as they could, looking for their profit to an inflated capital, rather than to a steady investment yield.

The favourite argument for municipal as against company construction of tramways is that a corporation can get the money so much more cheaply. As things stand this is undoubtedly true. But if the comparison be between railways and corporation stocks the comparison is not so favourable to the corporations. The railway companies can borrow at about the same rate as the corporations. They have raised their ordinary capital on terms which probably have given, as an average yield, little if at all more than corporations have had to pay for their loans. The railway investor is content to buy at a price which gives him little over three per cent., because he hopes to get an enhanced yield from the company's future success. The hope of the investor, often disappointed by the failure of his own calculations, nevertheless springs eternal, and balances (from the point of view of the economist who wishes to see capital for reproductive works obtained on the easiest terms) the security of the municipal mortgagee.

But what the investor wants is to get a fair run for his money. He thinks a line from A to B must pay in the long run, and he takes shares on the faith of that belief. If, before the line has really matured, it is bought at an old-iron price, he feels cheated of the ultimate result of his business foresight, and he consequently avoids the class of investment open to such risks. The more careful investors never would touch tramway shares. Those who touched them almost invariably suffered when the purchase clause was put into operation, and the recollection of their misfortunes still renders tramways an unpopular investment with the kind of man who looks for an immediate three to four per cent. and the hope of improvement. One would not be far wrong if one said that investors can now only be tempted to support tramway enterprise by receiving four per cent. on debentures, as against three per cent. on railway debentures, five to five and a half per cent. on the preferences as against three and a half to four per cent., and an anticipation of at least six per cent. on the ordinary. And yet there ought to be no more stable and regular business than that of carrying passengers along main lines of communication in big towns. The difference must be ascribed, not to any inherent risk, but to an artificial legislative insecurity.

The discouragement and demoralisation of tramway enterprise might have been a matter of small concern but for the application of electricity to street traction. Neither the horse tramway nor the steam tramway has any enormous mechanical superiority to the automobile on a good road. But it so happened that about sixteen or eighteen years after the passing of the Act of 1870, electrical discovery pointed out a means of using the tramway which gave it a great advantage over the automobile.

Electricity can neither be profitably generated in a moving vehicle nor economically stored there, but means were found, by the overhead wire or the conduit, of supplying it to the tramcar as it went along. This immediately reduced the cost of locomotion by a half, while also increasing the speed and pleasantness of street transit to a degree never before possible in a public vehicle. Seventy passengers can be carried a mile for sixpence in working cost, and they can be carried to the precise spot to which they want to go.

There is no country in the world where this discovery should have had a readier welcome than in England. When it was made, England was still the greatest steel-producing and engineering country. It could still claim the largest experience in the best

railway construction, other than street railways. In no other country was there so large a contiguous urban population as in London, Lancashire, and the West Riding. In no other country was the difficulty of housing the people within reach of their work so keenly felt. Nowhere else was there so large an amount of accumulated capital seeking profitable investment. In ordinary course England should have been the pioneer in the construction of electric tramways, the English manufacturers the first to gain experience, the English working man the first to receive the boon of cheap transit to more airy homes.

It is needless to say that this has not been the course of events. So far as I am aware, prior to the passing of the Light Railways Act in 1896, only about twenty miles of electric tramway had been constructed in England and Scotland, as against considerably over ten thousand in America. At this moment there are some forty miles of electric tramway in operation in the United States for every mile in the United Kingdom, though the urban population of the latter is very nearly as great as the urban population of the former. As far as I can calculate from the latest trade returns, the total route length of tramway operated by electricity in Great Britain is still under 500 miles. This figure is positively ludicrous for an urban population exceeding 25,000,000. And indeed one-seventh of the meagre figure for the United Kingdom may be put down to Ireland, which is free from the operation of the Tramways Act. The social, economic, and industrial loss which Great Britain has suffered through being, for the first time in her history, behind other countries in adopting a new invention of first-class importance, is literally incalculable.

The Hon. R. P. Porter, formerly U.S. census director, estimates the total cost of constructing the 20,000 miles of electric tramways in the U.S. at £300,000,000. Part of this has been spent in rails, and the electrical street roads have probably contributed more than the railroads to the development of the steel industry during the past decade. A very large part has been spent, to even greater national advantage, in employing the highest skilled labour and developing a technical industry of the greatest social value. England has lost all this, though the recent advances made by English electrical manufacturers tend to show that if they had got the chance earlier they would have done at least as well as the Americans. Even more important is the loss of health and efficiency in the general population by being denied the means of access to healthier dwelling places.

I venture to attribute this loss primarily and principally to the purchase clause of the Act of 1870. At the time when the discovery was made, the companies were nearing the period when their undertakings could be bought for less than the cost of the material left *in situ*. Were they under these circumstances to scrap their horse and steam equipment, relay their permanent way, and spend something like £10,000 a mile on electrical reconstruction? They were in many cases already in difficulties. Their directors realised that the date was approaching when the undertakings must be dissolved, and the shareholders paid off at a discount. They felt no possibility of permanence in their own position, and the human element cannot be neglected in any industrial affair. Some few endeavoured—usually in vain—to make terms with the local authorities, but most of them prepared as best they could for a quiet and painless death.

Parliament gave them no assistance. The only legislative change made was to facilitate the working as well as ownership of tramways by local authorities, and thus to make it more difficult for the companies to secure new leases.

The local authorities, when they did acquire the tramways, were in most cases naturally reluctant to try experiments at great cost to the ratepayers. Glasgow, even, ordered a new horse equipment long after electric traction was in other countries an assured success. Other corporations could not be expected to be more adventurous than Glasgow. Even to-day, with comparatively few exceptions, English towns lag very far behind the extension of electric lines in proportion to the population which private enterprise has carried out in America or in Dublin.¹ The fact is that corporations are more careful of the

¹ The comparison between Glasgow and Dublin is a very instructive one. Glasgow is about the most progressive town in the United Kingdom. Dublin is a rather sleepy town, with a residential rather than an industrial population. In most new things Glasgow is far ahead of Dublin. Electricity supply, for instance, which in both cases is in the hands of the Corporation, is much better done in Glasgow than in Dublin. The population of the Glasgow district, including neighbouring towns, is about a million. The population of Dublin and its suburbs is little over a third of a million. The Glasgow Corporation came into possession of the town tramways, which had been constructed by the Corporation and leased to a company, at the end of 1895, on the expiration of the company's lease. The lease did not contain anything to compel the Corporation to acquire the company's obsolete horse plant, and the Corporation were thus in an unusually favourable position for adopting at once an electrical equipment, such as was being already installed in Dublin. They nevertheless bought a new obsolete equipment, and spent some years in inquiries before they had the courage to try electricity. At present there are in the Glasgow district only 88 track miles of electric tramway, as against 102 in the Dublin district. Even when all the Corporation's proposed extensions are completed the mileage per 1000 of population will be less than half

ratepayers' money than directors are of the money of their shareholders', and municipal socialism in England means the development of assured successes rather than the trying of novel and expensive experiments.

Outside the big towns the work of supplying electric tramways has, in some cases, been undertaken by companies, who have been able, after enormous difficulties, to secure the requisite powers. It may be said, broadly, that they have never been able to proceed unless the Tramways Purchase Clause was modified. The Tramways Act, so far as private enterprise is concerned, merely remains on the statute book as a beacon to warn the promoter of the danger of financial ruin. In almost all cases, nevertheless, the promoters have had to give terms which would be exacted in no other country. This means smaller profits, fewer extensions, and a less adequate service. Again, they have generally been unable to obtain access into the big towns, and while the omnibus can run into the centre, the company-owned tramcar must stop in the suburbs. And, lastly, it is an open secret that, even though the Tramway Purchase Clause may be no longer applied, the recollection of past losses prevents investors from feeling any security in tramway enterprises, and many perfectly honest and profitable schemes would have failed but for the aid of American capital.

It only remains to consider whether the evil is in the shortness of the period before purchase or in the method of valuation.

A similar Purchase Clause was inserted by Mr. Chamberlain in the Electric Lighting Act of 1882. In 1888 it was found necessary to alter the clause in order to induce capital to come forward, and the alteration made was to extend the period from twenty-one to forty-two years. The change did undoubtedly produce a remarkable effect. Electric lighting shares have become a favourite investment with the best class of investors; those who look for the lowest but steadiest return. But it has been found necessary in the more recent Electrical Power Acts

that of Dublin. The Dublin company pays £14,000 a year in royalty to the local authorities, the payment to the "common good" from the Glasgow tramways is £12,500. The Glasgow Corporation has halfpenny fares for very short stages, but the penny stages in Dublin are longer, and in Cork very much longer, than in Glasgow. Finally, when districts outside the city boundary of Glasgow required a service of tramways, the Glasgow Corporation would only make them on getting a perpetual tenure—without any purchase clause whatever—and this the Corporation, by reason of their strong position as owners of the central lines, were able to exact. The receipts per mile are very much higher in Glasgow than in Dublin. This will usually be the result of a limited enterprise, only laying tramways on a few picked routes.

to put in no Purchase Clause at all, so as to attract capitalists to undertake supply over large areas. The public interests have been secured by reverting to the old gas policy of maximum dividends. It will only be when electric lighting companies are nearing the purchase period that we shall be able to judge whether the fear of purchase at an inadequate price will operate to check improvement even in smaller areas.

Personally I take the view that the method of valuation is the more important point. The size of a town, and the prospective inevitable value of a tramway concession, should be taken into account when the powers are granted, and proper conditions should be imposed, such especially as cheap fares and extensions into less paying suburban districts. But it is in the long run much better that when the concession is granted, it should only be resumed on paying to the concessionaires the actual value of the concession. This should include a payment for goodwill. Goodwill, in the case of a tramway, means the value of the anticipation that the old customers will continue to use the tram. This depends on the number of customers, and the number of customers depends in great measure on the efficiency of the service. If goodwill is not to be paid for there is no motive for running the service at a loss to develop a suburb, no sufficient motive for any broad view of enlightened self-interest. If goodwill is to be paid for, there will be a motive for immediately adopting every invention which is likely to increase the company's profits, if the capitalised value of the increase of profits exceeds the loss on the plant scrapped.

It may indeed be contended that, on the average, municipalities have actually lost in mere money by being able to acquire tramways at an artificial rather than a real valuation. In some cases, where a few miles of tramway ran through very populous towns, they have been bought at prices which yielded immediately a very large profit. But in most cases the property which they acquire is worth as a going concern nothing at all. The lines are in bad repair, and have to be immediately taken up when adopting electric traction.¹ The business, as a business, is practically non-existent, for directors have long been discouraged from introducing the slightest improvement which was not immediately profitable, and have found it difficult to keep good managers in a service which might only be temporary. In

¹ The question may be asked: Why then does the arbitrator award that they are of any value? Simply because "value" in the Act of Parliament does not mean value, but cost less an allowance for depreciation.

other words, because the corporation could buy without paying for goodwill there has been no goodwill created. They might have had to pay five times as much for properly equipped tramways, reasonably developed, and yet have made a better bargain. Thus there has not even been a ratepayers' gain to set against the national loss. Under the Light Railways Act it has become customary to allow purchase only on paying the fair market value. In Parliamentary Bills and Provisional Orders the term of purchase is now generally longer than twenty-one years and the method of valuation is sometimes varied. But the confidence of investors will not, for many long years, be restored, the backwardness of English electrical manufacturers—due to want of opportunity—will take at least a decade to make up, and for ten years English working-class children have remained in crowded courts when they might have been in the healthier suburbs, if Parliament had not thought fit to try a disastrous legislative experiment.

VESEY KNOX.

POSTSCRIPT.

The rules of the British Association do not encourage the discussion of proposals for future legislation. The paper is therefore inconclusive in not containing the author's suggestions for legislative reform. He would propose:—

- (1) that the Tramways Act should be entirely repealed;
- (2) that the powers of the Light Railway Commissioners should be increased, and the Commission strengthened by, *inter alia*, the transfer to them of the tramway department of the Board of Trade, so as to enable them to deal with all questions concerning street railways—authorisation, running powers, mode of construction, &c.;
- (3) that the orders of the Light Railway Commissioners should be final, subject to an appeal, in the case of legislative orders, to a joint committee of the two Houses of Parliament; and
- (4) that a Street Railways Clauses Act should be passed establishing as the model clauses for all street railways the clauses, including the purchase clause, now usually inserted in Light Railway Orders.

V. K.

THE DUTCH DWELLING HOUSES ACT

ONLY a few days before the late Cabinet resigned, a measure became law tending to improve the dwelling conditions of the people in general. Though, as a matter of fact, the Act will chiefly benefit the labouring classes, yet its bearing is not confined to those classes; some of its clauses will favourably affect the dwelling conditions of the middle and upper classes as well.

In order to explain the provisions of the new law, it is necessary to give some account of the Dutch system of local government. It should be understood that all authorities which in England are vested in separate bodies, in Holland (as in France) are vested in Municipal Councils. I use this expression though it is not quite correct. Our constitution makes no difference between towns and villages; both are governed on the same plan. But the term "Municipal Council" will probably convey the least defective notion to English readers of the position assigned to the body which in Dutch is called *gemeenteraad*, in French *Conseil Communal*. There are in Holland 1,121 municipalities—using this word in the sense of *Communes*. At the head of each is placed a burgomaster, appointed by the Crown; he may be, or become, a member of the Council, but he is not so necessarily, though always its chairman. In the exercise of several of his functions he is assisted by two, three, or four aldermen, elected by the Council out of their own number. In many cases he acts with them conjointly.

The powers of the Municipal Council in regard to local affairs, though very extensive, of course, are not unlimited. Every decision of the Council may be cancelled by the Crown, if contrary to law or public weal. Besides, there is in each province a board to whose supervision the Government of every municipality is subjected. We might call it the *Provincial Committee*.

The country is divided into eleven provinces; the provinces are governed nearly on the same plan as the municipalities;

there is a Queen's Commissioner appointed by the Crown, a Provincial Assembly elected by the people, and a Provincial Committee elected by that assembly out of their own number. The functions of this Committee are extremely important in regard to each separate municipality, a great many decisions of the Municipal Council, especially in matters of finance, being subjected to its approval.

This brief account of the system of local government in Holland will be sufficient for my purpose. I shall now try to give a sketch of the new law, leaving aside all matters of detail, but throwing full light on its principal provisions.

Henceforth, every Municipal Council will be obliged to establish rules on the building or rebuilding of dwelling houses, and also regarding existing dwelling houses and their proper habitation. As to the rules on the building or rebuilding, they must apply to the situation of the houses, to the level of the basement, to their height, to the size of the rooms, the staircases, &c., to the water-closets, to *the providing of drinking water, the prevention of fire, of moisture, to the strength of the foundations, walls, floors, staircases, roofs, to the removal of smoke, water, and filth, and to the inlet of light and air.* The rules regarding existent dwellings have only to apply to the providing of drinking water and the other subjects printed in italics; it is also enacted that the Provincial Committee may give dispensation from the above mentioned obligations for a period of five years. The committee, however, must inform the Central Sanitary Board of its decision, which may be cancelled by the Crown.

The powers which the Municipal Councils possessed previously in making regulations concerning dwelling houses have been maintained, provided those regulations do not disagree with prescriptions of the present law. Certain doubts which had arisen regarding some of those powers have also been removed. For instance, it is now expressly stated that rules may be established applying to the removal of vermin, the separation of sleeping rooms, the number of dwellings in each building, and the maximum number of inhabitants in relation to the size of the apartments. Yet the rules about the number of inhabitants will not apply to dwellings occupied by people who already occupied them at the time when the rules were made, and no excess of the maximum number shall be deemed a trespass if occasioned by births or by the return of members of the family.

If the obligatory rules are insufficient, or if they are not made at all, the Provincial Committee steps in. It could not be

left entirely to the discretion of the Municipal Councils whether the law should be observed by them or not; on the other hand, the principles underlying our whole system of local administration were to be maintained as far as possible. For these reasons exceptional powers, indeed, have been granted to the Provincial Committees, but no absolute powers. The Committee, if no rules, or no proper rules, are made, is charged with the framing of them, and then those rules will have the same effect as if they were made by the Municipal Council itself; but they must be approved of by the Crown. In this manner arbitrary decisions are guarded against. No responsible Minister is likely to advise the Queen to give her assent to measures of the Committee which would unnecessarily encroach upon the rights of municipalities.

According to a law which was passed almost at the same time as the Dwelling Houses Act, the sanitary control is re-organised on the following plan: (a) a central sanitary board, (b) chief sanitary inspectors, (c) sanitary inspectors, (d) sanitary commissions. There will be a Sanitary Commission in every Municipality of more than 18,000 inhabitants, in every smaller Municipality where it is deemed necessary, and for every combination of two or more containing 40,000 inhabitants as a maximum. Each Commission consists of five or more members; the number to be determined by the Queen's Commissioner in the province. To those (local) Commissions important functions are assigned.

They have to point out to the Municipal Government:—

(1) The dwellings they deem unfit for human habitation;

(If they are of opinion that by means of certain improvements a dwelling may be brought into a satisfactory condition, they have to indicate those improvements);

(2) The dwellings which, though not unfit for human habitation, require certain alterations;

(3) The dwellings in which more people are housed than the local rules permit. They have also to report on complaints regarding the condition of dwelling houses, if tendered by three or more inhabitants of the place, after personal inspection, or by the occupier.

The Burgomaster and Aldermen conjointly, whenever they receive a report from the local Sanitary Commission, have to give to that Commission a written copy of the decisions to which it has led them. Further, they are obliged, whenever the Commission has declared that a dwelling in their opinion is unfit for habitation, to elicit from the Municipal Council a resolution on

that point. If the Burgomaster and Aldermen decide that certain improvements must be made, they order the owner to make these improvements. If they decide that such improvements, though recommended as needful by the Commission, are unnecessary, the Commission may appeal to the Municipal Council. And if it appears to the Burgomaster and Aldermen that more people are housed in a dwelling than the local rules permit, they order the occupier to comply with those rules within a period of at least a month, or at the utmost a year. If they fail to issue such an order, though deemed necessary by the Sanitary Commission, this Commission, again, may appeal to the Municipal Council. On this appeal, as well as on the former, the Council must decide within six weeks.

In order to make these stipulations more effective it is prescribed that all persons who let dwellings consisting of three rooms or less must send a return to the Municipal Government stating several particulars about such dwellings.

It appeared already from what I have mentioned that the Municipal Council is the authority entitled to declare a dwelling unfit for human habitation. To such a declaration must be added an order to evacuate the dwelling within a definite period, and to the dwelling a board must be affixed showing to everybody that it has been declared unfit for habitation. The period of evacuation as a rule, is six months, but it may be extended by six months from time to time with the approval of the Provincial Committee, and a longer period may be determined upon in special cases; for instance, if the Municipal Council has adopted a plan securing the gradual evacuation of a number of insanitary houses, the dwelling being comprised in that plan; or if an improvement scheme has been adopted entailing the purchase and removal of a group of houses for general sanitary reasons. In those cases the number of people requiring dwelling accommodation would be too large for the six months' rule to be adhered to, and a longer period may be fixed by the Council.

Against every decision of the Municipal Council in respect of unfitness for habitation, in one sense or the other, there is a right of appeal to the Provincial Committee; this right is granted to both parties; to the owner or occupier, if the decision is unfavourable to him, and to the Sanitary Commission, if the decision does not agree with the Commission's advice. In this manner private as well as public interests are safeguarded.

I now come to a most important part of the Act; it empowers municipalities and philanthropic corporations to acquire by

purchase obstructive buildings as well as building sites. The purpose must be (1) the clearance of areas where light and air are insufficient ; or (2) the removing of houses which on account of their situation, &c., hardly admit of improvement ; or (3) the removing of houses which impede necessary improvements of other houses ; or (4) the obtaining of grounds, built or unbuilt, needed for giving effect to a building plan adopted for the sake of improving the dwelling conditions, or to a plan of regular extension of the town or village. When such are the aims the Municipal Council may pass a resolution declaring that it proposes to purchase whatever is needed, and if this resolution is approved of by the Crown the owners will have to part with their property. The prices to be paid are determined judicially, but according to certain legal rules which I shall presently explain. Of course the strongest guarantees are given against arbitrary decisions on the part of the Municipalities. The proprietors must be duly informed before the resolution is passed, and a proper time must be given them for raising objections. The resolution must be communicated and fully explained by writing to the Provincial Committee, and this Committee is bound to give an elaborate report on it to the Crown. The Council of State must give its opinion before the Crown decides. Only when all these conditions have been complied with and the Crown's decision is favourable the measure takes effect.

The purchase may be made in behalf of the Municipality itself, but likewise in behalf of what I called philanthropic corporations. The law says : " Societies, companies or foundations exclusively operating for the improvement of the housing of the people and admitted as such by Us (viz. by the Crown) after Our having consulted the Provincial Committee, the conditions of their admittance to be determined by Order in Council." The meaning of these terms is that the fullest guarantee must exist as to the nature and constitution of these corporations. Their aim must be, not to secure high profits to members or shareholders—though a reasonable profit not exceeding the usual rate of interest may be allowed to them—but to be subservient to the end of providing better dwelling accommodation, especially to the labouring classes.

Regarding the prices to be paid the Act contains some explanatory clauses. According to a statute of 1851 regulating compulsory sales in general, only the " real value " of the property has to be compensated. The present law says that as such will be considered the price which each of the properties mentioned in the resolution would have fetched, if these properties had all

of them been sold in a period beginning 18 and ending 6 months before the time when the resolution was proposed, and the proposal made public in the form prescribed. "If *all* of them had been sold"—this means that the price which a small part might have fetched shall not be deemed a proper test of the value of the properties. "In a period of 18 to 6 months"—this means that no forced sales are contemplated but that it must be asked, What prices would have been obtained if sufficient time had been given for effecting the sale? "Before the time when the proposal was made public"—this means that the proposal itself may not enhance the price.

As to buildings which have been declared unfit for human habitation, a distinction is made between three cases. The whole building may be useless for any other purpose; then the compensation is limited to the value of the site, and that of the materials. The building, however, may be wholly or partly fit for some other destination, in that case this has to be taken into account. If only a part of it has been declared unfit for human habitation, this likewise must be considered in determining the value. As to the value of the building ground, it is regulated according to the principle just explained. If more people are lodged in a house than the local rules permit, or if the owner has been ordered to make certain improvements which he has failed to execute, the value will be determined as if the rules or the order had been duly complied with.

When stating the purposes for which compulsory sales may be decreed, I mentioned in the last place the obtaining of grounds, built or unbuilt, needed for giving effect to a plan of regular extension of the town or village. In every municipality containing more than 10,000 inhabitants, and in every municipality whose population in the last five years has increased by more than 20 per cent., such a plan must be made, and revised at least every ten years, unless the Provincial Committee should have given dispensation. The plan and the revised plan must be made public before they are adopted by the Council, and upon their adoption submitted to the approval of the Provincial Committee, from whose decision, however, a right of appeal to the Crown is granted as well to the Municipal Council, if the decision is unfavourable, as to the parties interested, in the other case. The plan must clearly indicate what parts of the grounds, in the near future, are to be reserved for roads, canals and open spaces. Now, the Municipal Council may avail itself of the powers described above by purchasing the grounds, but the Council may

also prohibit any building or rebuilding on those parts of them as have been reserved for roads, &c. Only, whenever the prohibition applies to more than one-third of the grounds belonging to one proprietor and comprised in the plan, the reasons must be explicitly stated why no purchase was resolved upon, so as to enable the Provincial Committee to ascertain whether the rights of the interested parties have been duly considered. This part of the Act has been strongly criticised in the Upper House, because no compensation was prescribed for any depreciation which might arise from its application. But it was contended that in this case no compensation could be reasonably expected, the owners of building grounds being in no wise injured. Indeed, in consequence of the Act the streets and open spaces may be, and probably will be, larger than they would have been otherwise. But here is no *damnum emergens*, only a possible *lucrum cessans*, and a *lucrum* of a nature that the legislator is not bound to respect. Building grounds, of course, can sometimes derive additional value from their being built upon in a manner contrary to sanitary principles, but that is no reason for the State to prescribe compensation, if, in behalf of the moral and physical well-being of the community, it takes measures by the effect of which this additional value does not arise. Besides, the adoption of a plan as prescribed by the present law will benefit the proprietors of building grounds in this way that, it is advantageous to them to know a long time beforehand where roads and squares will be made or canals will be dug. The compensation not awarded to them by the Municipality will in a great many cases arise out of the natural course of things.

In conclusion, I propose to describe the financial part of the Act.

•Municipal Councils are authorised to make loans to private individuals to whom an order is issued enjoining them to improve the dwelling houses of which they are the owners. These loans must bear interest and be secured by first mortgage; they must be repaid within a period of twenty years, either by equal annual instalments or by means of terminable annuities.

Municipal Councils are also authorised to make grants and loans to societies, companies and foundations, as mentioned before, that is, operating exclusively for the improvement of the dwelling conditions of the people. The loans must be repaid also by instalments or annuities, but within fifty years. No resolution by which such grants or loans are made will take effect

unless approved of by the Provincial Committee, whose decision, moreover, may be overruled by the Crown.

Subject to the same condition, grounds and buildings owned by the Municipalities or bought by them for that purpose may be transferred to the societies aforementioned, and moneys may be voted

(a) For the execution of an improvement scheme or of a plan of extension as described above ;

(b) for the sake of giving some pecuniary assistance to people ordered to evacuate their dwellings ;

(c) for the purchase of grounds and for the building or improving of dwellings, if such is necessary for the proper working of the Act.—(Should no Society be found willing to co-operate with the Municipality for this purpose, or none except on very onerous conditions, the Council is enabled to do the work itself.)

But how are the Municipalities to obtain the means required for accomplishing all this ? They will obtain them in the form of loans by the State, which must be repaid by means of terminable annuities not numbering more than fifty. The exchequer will charge for these advances no more than it will have to pay itself when contracting loans. The Dutch 3 per cent. stock are now quoted about 95 ; hence the State could now easily borrow at the rate of $3\frac{1}{2}$ per cent., or even less. A fifty years' terminable annuity would on this basis amount to 4.14 per cent. Hence, under the present circumstances this would be what the exchequer would charge.

But the Act also authorises the Government (the Home Secretary) to assist the Municipalities in the payment of these annuities. It is understood—though not enacted—that, as a rule, the assistance will amount to one-half of the annual loss incurred by the operation. To give an example. The Municipality obtains from a society to which it has granted a loan no more than an annuity of $2\frac{1}{2}$ per cent. ; then the annual loss incurred by it will be 4.14 less $2.50 = 1.64$ per cent. Now one-half of this will be contributed by the State, so that the charge to the Municipality will ultimately only amount to 0.82 per cent., and the charge to the State will amount to as much. The arrangement is, perhaps, a little complicated, but it has been adopted in order to enable Parliament to see at a glance what costs are involved by the working of the Act. What the exchequer does in this matter is mere manipulation of money ; the

sums borrowed and the interests paid will come back to it. The real spending office will be that of the Home Secretary, and the annual amounts disbursed will be found in his budget.

These amounts can hardly be too considerable. Supposing the capital advanced to the Municipalities gradually rises to the amount of £5,000,000. This is no small sum for a country containing little more than 5,200,000 inhabitants ; a great deal may be done with it in the way of improving the dwelling conditions of the people. Supposing, further, that the losses incurred amount upon an average to 2 per cent. as the average difference between the annuities paid and received by the Municipalities. In this case each party will have to bear £50,000 per annum. And it should be recollected that all the loans will be wholly repaid fifty years after the day they were granted. Consequently, after the lapse of each period an amount equal to the amount advanced will be once more available without calling for any increase of burdens either for the Municipalities or for the State. It is by taking advantage of the low rate of interest at which the State is able to borrow that these satisfactory results can be arrived at.

Most of the details regarding the financial operations will be regulated by Order in Council. The law provides, however, that a Government board will be formed consisting of three members assisted by a secretary, whose duty it will be to examine all demands for loans and contributions from Municipalities, to supervise the use of them, and further to perform all functions confided to it by an Order in Council.

I need not enlarge on the final clauses nor on those determining certain judicial proceedings which may become necessary in virtue of the Act. My object, as I stated at the outset, was only to give a general view of its stipulations, and for this purpose enough has been said. It will not have escaped the English reader's attention that the Minister who took the largest share in the drafting of the Bill and in the parliamentary debates on it, Dr. Goeman Borgesius, has largely availed himself of the light afforded by British legislation on the same subject. Yet it will have been noticed also that there are differences in matters of detail which do not wholly arise from the fact that the Dutch systems of local government and of land-ownership differ on various points from the English. It will be interesting to see what experience will teach us about the working of the Dutch Act ; but this will only be possible after a certain lapse of time, as the date of its taking effect, in compliance with the last clause, must be fixed by the Crown, and this has not yet been done.

N. G. PIERSON

N N 2

ECONOMICS AND COMMERCIAL EDUCATION¹

IN the middle of the nineteenth century the economist exerted a dominant influence over British public opinion, and a knowledge of Political Economy was generally regarded as the necessary equipment of an educated man. In Peacock's characteristic novel *Crotchet Castle*,² which was published in 1831, the retired merchant, who gives his name to the story, aimed at the possession of culture, and delighted in the society of learned celebrities. He "took," we are told, "very naturally to political economy, read all the books on the subject which were put forth by his own countrymen, attended all lectures thereon, and boxed the technology of the sublime science as expertly as an able seaman boxes the compass." Peacock himself did not conceal the dislike which he felt for the study. He poured scorn on its pretensions, and caricatured a contemporary economist, who has suffered rough justice at the hands of later generations, under the title of "Mr. MacQuedy," "the Modern Athenian,"³ "who lays down the law about everything, and therefore may be taken to understand everything," and "turns all the affairs of this world into questions of buying and selling." Yet the ridicule, which he lavished with unsparing skill, was a testimony to the exalted position of the "sublime science" and its professors. Ten years earlier De Quincey had penned the rhetorical passage,⁴ in which he hailed Ricardo as the prodigious personage, who met the "great call made by political economy" "for a new law and a transcendent legislator." It is curious to read his language at this distance of time, when we remember that it received the endorsement of the sane opinion of many sober thinkers of his own and the next

¹ A paper read at the Glasgow Meeting of the British Association before the Economic Science and Statistics and the Educational Science Sections, September, 1901.

² Cf. Garnett's edition, p. 22.

³ *Ibid.* p. 63.

⁴ In *Confessions of an English Opium Eater*.

generation. "Had," he exclaimed, "this profound work been really written during the tumultuous hurry of the nineteenth century? Could it be that an Englishman, and he not in academic bowers, but oppressed by mercantile and senatorial cares, had accomplished what all the universities of Europe, and a century of thought, had failed even to advance by one hairsbreadth? Previous writers had been crushed and overlaid by the enormous weights of facts, details and exceptions; Mr. Ricardo had deduced, *a priori*, from the understanding itself, laws which first shot arrowy light into the dark chaos of materials, and had thus constructed what hitherto was but a collection of tentative discussions into a science of regular proportions, now first standing upon an eternal basis." In the searching light of subsequent history this may appear extravagant language; but there was a time when something not very dissimilar would have met with approval in cultivated circles; and the Poor Law Amendment of 1834, and the repeal, some dozen years later, of the Corn and the Navigation Laws, set, as it seemed, the confirming seal of legislation on the teaching of the economists.

Half a century passed, bringing unsparing criticism of received opinion by professional economists, and no less remarkable a change in the attitude of the lay public. As a consequence it can hardly be denied that the place of Economics in popular, and even in cultured, esteem at the close of the century had become less considerable. Its unhesitating pronouncements had been called in question by its own expositors. Its magisterial authority with the world outside had departed. It was a suppliant for favours which it had once demanded as rights. An educated man could afford to dispense with a knowledge, or even to boast of an ignorance, of its principles; and journalists might quote its dicta to set them aside. In the examinations of the Universities, in the curricula of elementary and secondary schools, in the competitions for entrance into the higher and lower ranks of the public service, it occupied no very conspicuous place.¹ Yet he would hardly be a rash prophet, who should predict that a fresh chance will shortly be offered; and, if Economics displays a capacity to seize the occasion aright, it may gain a position of assured influence in the century which is now beginning. The stir roused on commercial education supplies an opportunity for the emphatic assertion of its

¹ Cf. Report (1894) of a Committee of the British Association on "Methods of Economic Training in this and other Countries."

powerful claims to a distinct place in the education of the citizen. It must not indeed surrender its character as a science, offering a rational explanation of the relations between cause and effect in business matters, rather than supplying a ready rule for actual business practice. It cannot, without losing much of its educational force, limit its conceptions to the confined area of what may prove immediately useful; and few observers can fail to recognise that there is now in this country some danger of narrowness in commercial education, which may be the result of natural reaction from the methods of the past, but seems to be based on misunderstanding of the success of our most formidable competitors. For the commercial progress of Germany is attributed by many shrewd spectators as much to the high level which general education has attained in that country, as to technical training; and the alertness and inventiveness so characteristic of American business men may be regarded as the more likely product of a liberal than a narrow education. But Economics certainly can advance as clear a title as any knowledge yet systematised to the prerogatives of a "science of business." Such was the description assigned to it by Bagehot,¹ who was both man of business and economist; and thus regarded it had, he urged, the "defects of its qualities." It offered a reasoned explanation of the characteristic phenomena of the world of business in a modern community like England. It was an analysis of the "great commerce" by which England had become rich.

Two circumstances favour the advance of the claim of Economics, one of which is connected with the inner history of the study itself, and the other may be found in certain tendencies of popular debate and political action. An idea, no doubt, is prevalent that the criticism and controversy, which were certainly a feature of economic discussion in the eighth and ninth decades of the nineteenth century, have discredited dogmatic assurance but produced chaotic uncertainty. The older teaching, it is thought, has been thrust aside, and nothing established in its stead. The science is in a condition of unstable equilibrium; its professors are parted by irreconcilable feuds. The informed student of Economics, to whom this description will be familiar, knows that it is exaggerated, if it is not, like the picture of Mr. MacQuedy in Peacock's novel, a caricature. It represents, not the existing state of affairs, but the memory of a past condition. In other matters it is

¹ Cf. *Economic Studies*, p. 5.

frequently the case that the layman reaches a conception of the true position of things to find that the expert has already left it behind ; and something similar has occurred in Economics. Controversy and criticism, even on points of importance, are not unknown ; and their disappearance would mean stagnation or decline. But the old controversies, which created such noise, are dying or dead. From time to time efforts may be made to stir them into life ; but to such spasmodic attempts the flickering embers make on successive occasions a feebler response. The forces working here for compromise, if not for agreement, have grown more powerful than those which tend to dissension and conflict. Other differences indeed may still be discovered between economic schools or individual economists.¹ On the road of inquiry to be followed in some particular region of economic study, on the ultimate goal to be sought, on the original point of departure to be chosen, opinions may vary. But even in these instances it may be said more often than not that economists have "agreed to differ," and to pursue their own path without interference with, or hindrance from, one another. In any case a "truce"² has been proclaimed between those old enemies, the economic historian and the analytical economist, which enables them to advance their researches without the distraction of controversy, and allows them to give mutual assistance.

Nor has the criticism which has been busy in all departments of economic inquiry, been entirely negative in its results. A greater amount of constructive work has been accomplished than the external observer may imagine ; and, whether we consider the reasoned analysis of economic motives, or the historical record of economic fact, economists are now better equipped for their task than they were before they had been exposed to this energetic criticism, or plunged in the turmoil of such stormy controversy. For performing the duty, at once arduous and imperative, of illuminating obscure practical problems their instruments are more aptly devised and more effectively prepared. As we read the inner history of economic study, the antithesis, lingering in popular language between the "old" and the "new" school, has lost a great part, if not the whole, of its meaning. We think that Economics would gain by its formal disuse. It suggests the continuance of a conflict which has ended. It recalls the fading memory of a receding past. It obscures the real facts of the actual present.

¹ *E.g.* on the determining cause, or causes, of value.

² *Cf.* Professor Ashley in *Surveys : Historic and Economic*, p. 8.

But, if, as we are convinced, the "new" has by this time been joined to the "old," if the one has surrendered what was immature and extravagant, and the other discarded what had become impossible and obsolete, if, like the "lion" and the "lamb" of Scripture, to whichever of the two parties either of the two rôles be assigned, the economic historian and the analytical economist have lain down together, this change in the inner history of the study is accompanied by increasing urgency in the demand for economic guidance in practical affairs. It cannot be questioned that some of the more prominent problems which are coming, or have come, within the range of active consideration, if not of immediate action, are economic in character. We have been told on high authority¹—and we have only to exert our powers of vision to confirm the truth of the remark—that the twentieth century is destined to witness a struggle for commercial predominance between the trading nations of the world. On the bearing of this rivalry on commercial education we shall have something to say later. We would now affirm that he must be a blind or dull reader of the "signs of the times," who does not see that the increasing ardour of the contest for business is likely to occasion in the near or immediate future in this country a brisk discussion on free trade and protection. That controversy is not closed; and it is common prudence to be ready for its reopening. We shall not attempt to anticipate the course, or to forecast the issue, of the discussion. We would merely urge the consideration, which we believe to be pertinent, that it is a question on which Economics has something of importance to say. It is true that no one, who has been at the pains to acquaint himself fully with more recent economic literature, could now return, as the authoritative answer of economic science, the identical dogmatic utterance which proceeded from the economists of the middle of the last century. It is true also that the response of the economist is not by itself decisive of all the points at issue. Arguments drawn from practical experience are of equal importance with theoretic deductions. Considerations of a political nature may enter to modify economic conclusions. But a competent knowledge of Economics is none the less necessary to a correct and adequate solution of the problem. In an especial degree the question is one on which the immediate superficial appearance of things may easily mislead, and a complete judgment cannot be possible without considering more remote but less obvious results. It is in

¹ *E.g.* by Lord Rosebery.

this difficult task of discerning the "unseen" below the "seen" that Economics is able to render unique assistance. The suggestive phraseology once used by the French Economist Bastiat may still be employed without requiring assent to all his reasonings or unqualified approval of his conclusions.

Another group of questions, which is pressing to the front of popular discussion, may be conveniently placed under the vague but comprehensive label of "socialism." In the form of "municipal socialism" an advanced section urges the large extension of municipal trading, and a less extreme party maintains that public bodies should be "model employers." In the more ambitious guise of "nationalisation" convinced advocates, looking forward to the eventual abolition of private property in land, and in the instruments of production, are content in the meantime with the approximation secured by claiming for the State such "unearned increments" as it is practicable to take from individuals. Or again,—leavening with restless aspiration some sections of the Trade Unionist movement, which, as a whole, with the growth of public recognition, seemed to have contracted its desires to the sober dimensions of reasonable pressure discreetly applied,—an agitation has met with a favourable response through a considerable area of the labour world, which aims at obtaining a "living wage," or procuring a universal "eight hours' day." In innocuous or in dangerous shape, in extravagant or in moderate degree, socialism is more influential than it was in the middle of the nineteenth century. It would be but a narrow knowledge, and a partial reading, of economic literature, which would support the contention that Economics was without exception individualistic, tolerating no intercourse with socialistic opinions, although traditional bias and instinctive caution may incline to such a position. Nor is it less relevant here than to the controversy between free traders and protectionists to affirm that economic reasonings may be altered or modified by political arguments. Yet the ability to see what is "unseen" below what is "seen" may find abundant scope for profitable exercise in the examination of "socialistic" questions; and there are not a few factors of importance to a correct and complete decision which can only be accurately weighed by a competent acquaintance with economic science.

The citizen, therefore, is likely, unless, withdrawing from the world, he leads the life of a misanthropic recluse, to require more, and not less, aid from Economics in dealing with questions

of practical politics. Many of these will concern him even more intimately if he be a manufacturer or a merchant. Such is the case with the free trade controversy; and the total relative importance of foreign and colonial trade, the ultimate incidence of import or export duties, the best legislative equipment of the trader for competition in neutral or hostile markets, considered in its final and not merely its immediate effects, are questions which must force themselves on the notice of British merchants and manufacturers, as commercial rivalry becomes more persistent and arduous. Economics by itself may not be able to furnish a complete or decisive answer to such questions; but without its assistance the answer returned is likely to be imperfect and dubious. Its study induces the habit of mind which will suspect the presence, and supplies the knowledge needed to disclose the nature, of lurking fallacy. It encourages profound far-sighted views.

Again, if we turn from the controversies awakening afresh between free traders and protectionists to those socialistic questions which are drawing increasing public notice, we find, on the one hand, that the merchant and manufacturer have an interest in their right solution, and, on the other, that the immediate obvious results of action may easily obscure ultimate, but no less important, consequences. An illustrative instance may be given, which may at first sight appear to be only related indirectly to the question. The commercial rivalry, which menaces British trade most seriously, comes, in all probability, from America rather than Germany. In a book called *Old World Questions and New World Answers*, published some fifteen years ago, the author, Mr. Pidgeon, drew a contrast between the English manufacturer and workman and their American competitors. He argued that the Englishman was disposed to look with suspicion on what was new, while the American was inclined to welcome it on that very ground. The comparison may need to be qualified, if it is put forward as a universal statement; but it may serve to emphasise what is certainly a characteristic American trait—an individualistic spirit. There can be little doubt that the American workman is as yet more “individualistic” than the British, despite of the socialism brought in by German immigrants. He is, it appears, less ready, as a rule, to combine permanently with his fellow-workmen in separate trade societies. He is certainly more independent, more inclined to act on his own initiative, more disposed to rely on his individual efforts for economic improve-

ment. This individualism, if we believe accounts coming from the other side of the Atlantic, allows generally greater freedom of action to the American employer. He is more easily able to discard old and introduce new machinery. He can more readily substitute improved for antiquated processes of business. In our own country, on the other hand, a danger may easily, if it does not actually, spring from our trade unions, which are more permanently and strongly organised. It is not impossible, or even unlikely, that their rules and regulations, partly from unconscious necessity, partly from deliberate intention, should offer real hindrance to the rapid introduction of novel machinery, or the speedy development of novel business methods. That such a danger may follow imprudent restrictive legislation, however good its original intention, is a commonplace of economic history. But a disposition and ability to discern the "unseen" below the "seen," to take the less immediate consequences of the future into account with the more obvious results of the present, may be the precise correctives needed for such narrow views; and the disposition is likely to be nurtured, and the ability confirmed, by economic study.

It must be admitted that in the early days of the "industrial revolution" the "factory reformers," in opposition to economists of standing, forced by untiring persistence the recognition that the health of future generations, and the permanent welfare of the country, were in danger of sacrifice to the pressing interests of the passing moment. Economists erred then from "shortness of sight;" and few of their successors would dispute the wisdom, or question the necessity, of such legislation as was then introduced, and has subsequently been developed. If they did not freely recognise the function which trade unions might discharge in placing the weaker on a level with the stronger, or in preventing needless strife, they might accept their existence as established institutions of the labour world. Yet the commercial rivalry of America, where, in spite of the large combinations of employers in Trusts, and of some powerful, if short-lived, organisations of workmen, individualism still seems far more potent a force than it has become on this side of the water, does not decrease the necessity for scrutinising with care the possible effects of restrictive legislation, and throws grave doubt on the wisdom of a trade union policy, which offers even temporary obstacles to the timely introduction of new machinery or the opportune surrender of superseded business methods. The

American Trusts¹ themselves, which certainly excite great suspicion, are allowed by unbiassed witnesses to prosper by achieving economies in the organisation of business, and the range of their success is limited more narrowly than popular opinion fears. The English observer could hardly watch the obstinate dispute which disturbed four years ago the engineering trade of his country, without being conscious of a real danger to the permanent interests of an industry occasioned by what might seem to the workers at the moment a natural means of protection against personal injury. He could not but feel more fearful of American competition in that important business.

I. Economic study, then, is fraught with benefit as the mental training, which will enable men in the ordinary transactions of their lives to discover and reject noxious fallacy, and attain profound far-sighted views. On such grounds a special place may be claimed in commercial education for the abstract reasoning of the text books, though the practical application of that reasoning may call for more detailed attention. The circumstance that the affairs which will occupy the minds of businessmen in after-life, will be concrete and actual, renders it more probable that without that preliminary mental discipline which economic reasoning can fittingly supply, they will fall a prey to unsuspected fallacy or narrow prejudice. This danger may beset them in their actual business, or in that wider sphere of their activities as citizens, which can only be separated from their business by a divorce hard or impossible to maintain. They can scarcely open their newspaper, or mix with their fellow-men, without encountering the risk. Unexpected and undetected its subtle influence must be bad. It will occasion mischief, direct or indirect, to the commercial policy and legislation, or the actual conduct of the trade and manufactures, of the country. The business world, in spite, or in consequence, of its practical concerns and character, cannot place itself beyond the reach of such an insidious and pervasive force. This is one reason for the claim of Economics to a distinct place in commercial education. It will be allowed by most men that for the detection of fallacy, or the discovery of prejudice, some training in logic is advantageous; and, whether we aspire to be philosophers or traders, occupied with mental speculation, or immersed in business action, we shall be more certain of our ground, and less liable to error or deception, if we are familiar

¹ Cf. Professor J. W. Jenks in *The Trust Problem*.

with the elementary conditions of right argument. The reasonings of the older economists, as re-stated with the change which time has wrought in the text-books of to-day, present this exercise in logic ; and, accordingly, business-men, without any loss of time, or disadvantage to their subsequent pursuits, may master this useful, if not necessary, portion of their education by gaining an acquaintance with economic theory. They will thus receive a training in logic connected with those matters which they will handle in the transactions of their lives. They will at the same time grow familiar with the phenomena, which they will later touch and see.

It has indeed been urged that business-men act from instinct rather than from reason ; and that reflection on the grounds for action may paralyse that quick audacity, and hamper that decisive courage, which win success in trade. To hesitate may be to fail. To ponder may imply the loss of an opportunity destined never to return. Yet business-instinct is often, if not usually, the slow product of large experience, requiring pains and time for its acquisition. To know the right reason for action can rarely be superfluous, and there are surely many occasions when ability to see the connection between causes and effects must prove a help, and not a hindrance, in the search for manufacturing or commercial gain. Such a capacity to trace effects backward to their likely causes, or to follow causes forward to their probable effects, cannot be carelessly acquired, and should not be thoughtlessly dismissed. The presence of many causes, conflicting or co-operating, is a possibility rarely absent from ordinary life ; but it needs a practised intellect to separate the action of different causes, and their recognition may escape the untrained mind. No fallacy is more common, or more subtle, than that which springs from ignorance or from neglect of the "plurality of causes," or the "intermixture of effects," as they are called by the logician. This is the second reason for the claim of Economics to a place in commercial education. It supplies, as no other branch of knowledge reduced to systematic form, an explanation of the acts of business men. It is, as Bagehot termed it, an "analysis," more or less accurate and complete, of the "world of business," and, to quote his instructive language,¹ no less true now than in his day, one reason why the "theory of business" leads a "life of obstruction" is because the "men of business" will "not reason out the theories." Economics furnishes a means for curing this defect in business

¹ Cf. *Economic Studies*, p. 7.

men. It affords occasion for that intellectual calisthenics which consists in discovering and presenting the relations between causes and effects in practical affairs. Such an exercise may, it is true, be found also in historical research; and Economic History must occupy a large position in a sufficient scheme of commercial education. But, considered as a mental discipline alone, the typical methods of the abstract economists are a more bracing exercise in logical argument, and apply more rigorous tests to reasoning capacity.

Regarded thus, those "mathematical" methods of study which have of late attracted no small notice from economists, may find a place in commercial education. They cannot play a leading rôle. The large employment of mathematics fosters the idea that economic reasoning is too hard to be comprehended by the average man; and such a notion, while it may discountenance that false pretence of knowledge from which Economics has suffered equally with other studies, will not stimulate an appetite for economic learning in the general public. This is a serious disadvantage; for, if it be difficult to force the more elaborate and refined of economic arguments within the limits of common intellectual capacity, or if it prove impossible to reach this distant goal without intense, continued strain, a large part of economic science, on the other hand, with little trouble, can be made attractive and intelligible to ordinary citizens. Were this, indeed, not the case, there would be serious occasion for despair of the future, both of economic study and of commercial education. An exact complete knowledge of Economics cannot be gained without pains and time; but its elementary principles can be grasped readily by average men. They happily can take broader and longer views, they can trace the unseen links connecting causes and effects, they can protect themselves from lurking error or unconscious prejudice, without mastering the arduous formulæ of mathematics. If indeed they possess an inclination, or show an aptitude, for mathematical inquiry, by the use of the "mathematical methods" of Economics they may bring their studies into close relation with their business life. Without this special competence they may, like economists generally, seize mathematical ideas, or follow mathematical arguments, expressed in ordinary language; and they will benefit by the mathematical precision, which allows nothing to be tacitly introduced into the conclusion of a reasoning process, which was not contained in the premisses, with which it started. By insisting on such precision mathematical methods of study may intensify the

bracing rigour of that mental discipline, which economic reasoning affords, and in this their primary value for commercial education seems to lie.

The profitable use of economic theory as an intellectual training might be illustrated from any of the various departments into which the subject is divided. A single conspicuous instance may be found in the theory of money. Even by those inclined to question most severely the correctness, or sufficiency, of the abstract reasoning of the old economists, their theories of exchange have been allowed a wider application, and more permanent validity, than their theories of distribution. In this department of inquiry those active human agents, which they inclined erroneously to treat as unemotional, are less conspicuous than inanimate commodities, which can more safely be regarded as controlled by economic forces. Within the department of exchange itself this is the case especially with the theory of money and its developments. Ricardo, who, by enemies and friends, by admirers like De Quincey,¹ and critics, like Cliffe Leslie,² has been considered the abstract economist *par excellence*, was brought, in business life, into close and constant contact with the phenomena of the money-market; and his failings have been plausibly ascribed to special associations thus contracted, which he took with him to a region where they were not equally appropriate. The Ricardian theory of money has undergone less alteration by subsequent economists than other portions of his reasoning. It is true that questions have arisen since in monetary practice with which the old economists were not concerned. Controversies, bulking largely in their treatises, have now been superseded. To the regulation of a paper currency, which from 1819 onwards beset the minds of the contemporaries of Tooke and Overstone, and, so late as the middle of the century, filled a long chapter in Mill's *Principles*,³ has succeeded the discussion of the merits and the drawbacks of monometallic and bimetallic standards. In this, as in other departments of theory, the eager searching criticism begotten of practical controversy has suggested, or occasioned, change of emphasis, or of expression. But the criticism has been less strenuous, and the changes less extensive, than elsewhere. The theory of money, expounded by the old economists, has, in the main, preserved its original character, and finds general acceptance now as in the past.

But of necessity it involves some abstract reasoning, which

¹ In the passage quoted above.

² *Essays on Political Economy*, passim.

³ Bk. III., ch. xxiv.

forms an exercise in logic. It is busied with the discovery of the relation between causes and effects. It demands familiarity with economic science. It can, in fact, be grasped securely by such mental training alone as we have described. Without acquaintance with the logical conditions of right inference, and the fundamental principles of Economics, mischievous error may be certainly expected to appear. It would, in fact, be difficult to name any portion of economic theory, or to point to any sphere of economic practice, where fallacy has proved more dangerous, or delusion has been found in shapes more crude or fantastic, more obvious or insidious. The history of the past of economic theory is strewn with fanciful mistakes of monetary doctrine, which have entangled thinkers otherwise to all appearance sane and capable. The recorded policy of civilised nations bears repeated testimony to the dangerous pitfalls of monetary practice, into which the honest may be brought unwittingly, and the dishonest may knowingly conduct their fellow-men. The importance, then, of a correct theory of money is vital for the ordinary citizen ; while the experience of many economic teachers might confirm the statement that students who have shown but little interest in other parts of economic science, have been attracted by explanations of that banking system with which their use of notes or cheques has brought them into contact. The theory of rent, wrongly or rightly, may seem remote from agricultural practice ; the theory of banking is connected with the ordinary transactions of commercial life. Even to the uninstructed mind the banking system of this country appears a marvellous mechanism, the real efficiency of which is matched by its apparent delicacy. The theory of banking, as stated in the text-books, gives a reasoned explanation of the efficiency, and indicates the means of strengthening the delicacy. For bankers and financiers themselves, whose duty it is to administer this system, and to be handling money in its various forms, the advantage of a knowledge of the economic theory of money and of banking is not difficult to prove ; and, if few bankers, as a matter of actual fact, are trained or informed economists, economic theory here at least comes into closest contact with the daily life of a large section of the business world.

II. That Economic History should take a prominent position in commercial education needs no elaborate assertion. In this department also great progress has recently been made. The controversy which once parted historical from analytical economists, was concerned with methods of inquiry. It turned

attention from broad fertile districts into a confined and barren region. The lull, or conclusion, of the controversy has enabled both parties to resume their larger studies, and has been attended by no decline of zeal, or diminution of success, in historical research. Superficial impressions may indeed mislead. Controversy and criticism have not been idle; and the conclusions of the historians of one age have been rudely handled by their successors, who in their turn have failed to reach final and complete agreement. In the economic history of this country alone much remains unexplored; and opinions, accepted once, are now disputed or abandoned. Yet the constructive work accomplished has been no less remarkable than the criticism which has made good its claim. It has become possible for the plain citizen to acquaint himself at any rate with the broad characteristics and the chief events of the economic history of his country without feeling the disquieting suspicion which he might entertain on points of detail, that within the next few years at the most fresh research will make his knowledge of little or no avail.

From the standpoint of commercial education it might indeed be argued that investigators had given disproportionate attention to earlier history. Questions of origin have occupied a large space, to the neglect, perhaps, of subsequent developments. Such questions exert a fascination of their own. They afford great scope for the able exercise of ingenuity. The range of possible inference is wider; for the amount of certain evidence is smaller. Hypothesis becomes a positive necessity, and not merely a convenience; and few occupations call for greater skill, or occasion greater pleasure, than the alternate construction and destruction of hypotheses. To reproduce the distant past requires as large an exercise of the judicial imagination as to forecast the distant future. Nor are these questions unimportant; for they may prove the only means of throwing light on subsequent developments. The original point of departure may exert an influence on economic action no less potent than the final goal. But from the conditions of the case such questions yield imperfect answers in return for an expenditure of time and trouble greater than would suffice to interpret clearly nearer periods. It is no exaggeration to say that the early history of the manor in this country has been examined more exhaustively than the story of the business development of England from the death of Elizabeth to the "industrial revolution." Yet it is equally certain that many particular details in the arrangements of the manor remain the

subject of unsettled controversy ; and that doubts are even raised on some broad tendencies.¹ The bystander may accordingly derive encouragement from signs which have latterly become more evident, that students were turning from the dim obscurity of the primitive manor to less remote and dubious periods.

The advantage gained from a knowledge of economic history for the conduct of industry and commerce may receive abundant illustration. It is a truism that acquaintance with the past is a guide to the present and a preparation for the future ; but a reasoned and informed account of the birth and growth of the commerce and industry of this country in particular, and of the world in general, must be sought, and can be found, in the special writings of economic historians alone. It is only within the last few years that any space has been given to economic matters in general histories ; and that space is yet but small. Unless therefore the manufacturer and merchant seek distinct instruction from economic history they are likely to be ignorant, or to have a hazy notion, of the successive stages through which this country has advanced to the position it now occupies. They will not be able fully to appreciate the causes which have produced the rise and the decline of other trading nations. Yet the maintenance of the commerce and industry of England itself must depend in no small measure on the estimate formed of the different forces which have united to achieve success ; for only thus can we tell how those which are becoming weaker may be strengthened, or hope to find more or less efficient substitutes for those which are disappearing. Nor is the lesson of the advance and fall of other nations in previous times without instruction for ourselves. The commercial fate of Portugal and Spain, of Holland and of France, is certainly significant ; and its full meaning cannot be read in general histories. It can only be disclosed by study of the researches and remarks of trained economists. Similarly, it is not possible to form a correct account of what we owe respectively to our geographical position, our climate, our mineral resources, our national character, the instruction of foreign immigrants, or the earlier start which we obtained in the commercial race, without consulting the facts recorded, and the conclusions formed, by recognised and expert economic students. We are told that in the future commercial success will depend more largely on educational superiority than in the past ; we may be tolerably sure that a competent knowledge of Economic History will form an unimportant element of that advantage.

¹ Cf. Maitland, *Domesday Book and Beyond*.

III. A brief reference must be made in conclusion to Statistics. A drawback, from which a mental or moral science, like Economics, suffers in comparison with a physical science, such as Chemistry, is an inability to confirm or refute theories, to prove or disprove hypotheses, by testing experiments. From the failure, or rare employment, of this decisive method of inquiry, economists are compelled to have recourse to the less effective instrument of observation which can seldom be conducted under such rigid and precise conditions. But, where economic facts allow expression in numerical form, Statistics furnishes a means for giving systematic shape to economic observation. It renders its study easier, and its interpretation more exact. A large number of important economic phenomena, such as the movement of population, or the course of trade, can be stated and compared numerically; and the connection of Economic Theory with Statistics has always been close. For understanding the economic records of the past Statistics may also prove of service, and avoid the error which may otherwise arise in the appreciation of imperfect figures. But in both cases it lends itself in careless hands to serious misuse; and a competent knowledge of the principles and methods of statistical inquiry is part of the full equipment of an economic student. The particular relations of Statistics to commerce and manufactures need no emphasis; nor is it necessary to show in detail why some study of Statistics should find a place in a sufficient scheme of commercial education. Without such aid as it can furnish it is obvious, for instance, that the growth or decline of manufactures cannot properly be gauged, or the ebb and flow of business measured.

That statistical knowledge has been brought to greater fulness by instructed experts in recent years is as much beyond dispute as it is evident that crude insidious error about the evidence of figures deceives the uninstructed public. An elementary knowledge of statistical technique, and a general acquaintance with the more common of statistical mistakes, would conduce to the improvement of some popular discussions. They are certainly needed no less urgently for the special training of business men. The merchant and the manufacturer must deal constantly with figures, which may guide to prosperity, if rightly understood, but will lead to danger, or disaster, if misused. Such a knowledge as will suffice for this important purpose need not involve the hard mathematics which will repel the amateur, though demanded by the expert. In fact, in all the three departments of economic inquiry, which we have briefly been considering—those

of Economic Theory, Economic History, and Statistics—there seems abundant opportunity for attractive scientific teaching. An adequate scheme of commercial education must surely embrace these subjects along with others, like commercial law and geography.

Their claim is undeniable. A knowledge of them, we may hope, will soon be necessary to the intellectual equipment of businessmen, for they are essential to a mastery of the "science of business." Knowledge of the kind which they supply seems entitled, by the largeness of its aims and conceptions, and the nature of its reasoning and investigating processes, to the high name of "science." It appears capable of academic teaching. What else is needed—and much more, no doubt, may be required to form the "finished" business man—can be only learnt effectually in the hard school of business practice: and in any case it is rather "art" than "science." For science furnishes a reasoned explanation of phenomena; but he who knows their causal connection, is more likely to deal with them aright, than he who chooses to remain in ignorance. In the populous activity of business life, no less than in the tranquil seclusion of the student's retreat, real knowledge is as surely power as inadequate knowledge is the subtle, but certain, source of danger or disaster; and, in the language of a great philosopher, to "know truly" is to "know the causes of things."

L. L. PRICE.

REVIEWS

The Great Famine and its Causes. By VAUGHAN NASH.
(London: Longmans. 1901.)

EVENTS of more striking interest elsewhere have conspired to divert the attention of the British public from the famine which prevailed two years ago throughout more than one half of India. Probably the most remarkable feature in the whole story is the comparative ease with which the calamity was dealt with, and the rapidity with which the country has recovered. For it must be borne in mind that the famine was both more wide-spread and more severe than any other accurately known in history. Not only did the harvest fail, but also the water supply. Hence an almost complete loss of cattle in many districts, and virulent outbreaks of cholera. Food for the starving population never ran short. Burma and the rest of India provided abundant supplies, which were carried to the spot by railways without any interference with private trade. Government, which took the responsibility for saving life on its own shoulders, was thus enabled to feed during many months no less than six millions of people, the proportion in some tracts rising to one-third of the inhabitants. It is estimated that the total expenditure incurred by the State, including remissions of revenue and advances that will not be repaid, amounts to fifteen millions sterling. Nevertheless, the Indian budget shows a considerable surplus for each of the two years included in the famine period. Nothing could demonstrate more clearly the efficiency of the administration on the one hand, and on the other the stability of the financial system.

The preliminary returns of the Census taken on the 1st March, 1901, furnish some indication of the effects of the famine upon the population. During the decade between 1881 and 1891, the rate of increase for all India was 11·2 per cent., which has fallen to 1·49 per cent. for the decade that covered the two famines of 1897 and 1900. If it were not for the continuous prosperity of Burma and Bengal, and the extension of canals in the Punjab and Sindh, there would have been no increase at all. In the Native States that suffered most severely in 1900, there is a decrease ranging from 14 to 19

per cent., and the total reduction of population exceeds six millions. In no fewer than fourteen British districts the rate of decrease is above 10 per cent., and the total reduction of population approaches two millions. These figures, as has been mentioned, cover a period of two famines. They also include the results of a diminished birthrate. The registered deaths for 1900 in the British provinces most affected were more than double the decennial average. According to the calculation of the Famine Commissioners, who allow for immigration from Native States into British territory, the excess mortality during 1900 amounted to one million deaths, of which one-fifth were due to cholera.

It is to the credit of the *Manchester Guardian*, which represents a district deeply interested in the prosperity of India, that it was the only English newspaper to send out a correspondent to study the famine with independent eyes and to report upon the measures of relief adopted. His letters attracted a good deal of attention at the time, and have now been republished in a volume, together with some photographic illustrations. It should be said at once that Mr. Vaughan Nash fully deserves the confidence placed in him. The quickness with which he adapted himself to strange circumstances, and appreciated the difficulties of the problem, is little short of marvellous. Within about eleven weeks he not only covered a great extent of ground, but also concentrated his attention on relevant matters. The subject is one that tempts to descriptive writing and loose argument. Mr. Vaughan Nash rarely offends in this way, though he lets us see that he possesses a stock of picturesque epithets and can turn an epigram with the best. Of course, he leaves much unsaid, both of past history and of the special circumstances around him. He does not condescend to give any introduction, explaining the economical conditions of the country, or even mentioning the failure of the monsoon that caused the famine. His chapters, like his photographs, partake too much of the nature of journalistic snapshots. They retain the freshness of original impressions recorded on the spot, but they have not been worked up into a well-ordered book.

The Report of the Famine Commission, presided over by Sir Antony MacDonnell, supplies a convenient touchstone by which to test the value of Mr. Vaughan Nash's criticisms. No higher praise can be given him than that he comes well out of the ordeal. During the famine of 1897, Sir Antony was the commander-in-chief of a campaign in the North-Western Provinces which was characterised no less by economy than by success. It is natural, therefore, that he should insist upon the importance of administrative efficiency, and should disapprove of lavish expenditure. Setting aside these two considerations, about which Mr. Vaughan Nash could not be expected to judge, it is noteworthy how much the two have in common, even down to points of detail. Mr. Vaughan Nash condemns the Bombay system, both of revenue administration and of famine relief, as exhibited in

Guzarat, where the loss of life was felt most severely. Sir Antony, of course, does not condemn, but the meaning of his report is the same, if we read between the lines. Guzarat had never experienced a famine before. The Government had made no preparations. When the calamity burst, the staff were overwhelmed by a flood of starving paupers, many of whom came from the adjoining Native States. An outbreak of cholera completed the disaster. In the Central Provinces, on the other hand, the lesson of 1897 had not been taught in vain. Here Mr. Vaughan Nash found the machinery of relief well organised, and working with praiseworthy efficiency. Sir Antony comments upon a tendency to extravagance, against which may be set off a low death-rate, nor is there any reason to fear that the people have been demoralised. In both cases the moral is the same, that famine can be successfully fought only when the plan of campaign has been elaborated in advance.

Mr. Vaughan Nash has been bold enough to entitle his book *The Great Famine and its Causes*. About the causes he has, as a matter of fact, very little to say. Strictly speaking, there was but one cause, and that was the failure of the monsoon. In a country dependent upon local rainfall, there can be no harvest if the rain entirely fails. And among a population dependent upon agriculture, famine must follow if no harvest has been reaped. All the other causes so-called—such as a vicious land system, or the wiles of the money-lender—are merely contributory conditions, which may intensify the results of famine more or less. Every one admits that the incidence of the land revenue has very little to do with the matter. But both our authorities agree that the Bombay system of land revenue administration is lacking in elasticity. The assessment is struck upon an average. But an entire failure of the crops, combined with a loss of plough cattle, upsets all averages. With regard to the part played by the money-lender, there is room for difference of opinion. If we interpret Sir Antony MacDonnell aright, he does not altogether share the modern view which can see no good in the money-lender. As a dealer in corn as well as in money, food could not have been imported or distributed without his intervention. In normal times he serves as the petty banker and pawnbroker of the village, and is often the sole representative of the middle class. Among an ignorant and improvident community, he stands for intelligence and thrift. Though frequently of alien race, he is never of alien religion. His calling is not despised, nor is his person usually hated. From a reigning Maharaja down to a well-to-do peasant, no Hindu thinks usury dishonourable. We are not dealing at present with a Muhammadan population. Another aspect of the case is ably put forward by Mr. Vaughan Nash, and it must be admitted that he represents the current trend of official opinion. According to this view, the money-lender is a village Shylock, who is draining the life blood of the peasantry by means of the powers conferred upon him under British law.

It is a special feature of the Bombay survey tenure that it guarantees to the occupant a right of property in his holding, subject only to the payment of a moderate assessment to the State. This right of property includes an unlimited power of mortgage or sale. What was for long regarded with pride as an invaluable privilege has recently come to be considered a delusion and a snare. It is now held that the peasant is incapable of making a proper use of the rights conferred upon him. His extravagance and want of foresight have induced him to part with his property in favour of the money-lender, who is gradually becoming everywhere the real, though not the ostensible, landowner. It is further argued that this process of expropriation has been facilitated by the rigour with which the law of contract is enforced by British courts. In the Punjab an enactment was passed last year by the Viceroy's Council, which prohibits the transfer of land except to a fellow agriculturist, and permits mortgage only for a term of years without any power of sale. As yet it is too early to ascertain the results of this revolutionary measure. There can be little doubt that its immediate consequence has been to reduce the value of land. In Bombay, yet more recently, the local legislature has adopted a more subtle modification of the law, in face of strenuous opposition from the native members. While the rights attaching to the survey tenure remain unaffected, it is proposed to take advantage of the wide-spread forfeiture that has resulted from inability to discharge the assessment, and to grant the land afresh to the former occupants free from liability for arrears, but at the same time stripped of the privilege of sale or mortgage. How far this measure will be operative on a large scale seems doubtful; for it is manifestly to the interest of the money-lenders to avoid forfeiture by paying up the arrears, wherever the assessment is not excessive. However these experiments in legislation may turn out, they show that the government stands in no need of pressure to protect the cultivator against his supposed enemy.

Undoubtedly the most important safeguard against famine is irrigation. But here again it is easier to preach than to practise. Nearly all the possible schemes for husbanding and distributing the perennial water supply from the Himalayas have now been carried to completion. The same is true of the deltaic tracts on the Eastern coast. Another considerable portion of India, including most of Bengal and Oudh, as well as the Western coast under the Ghats, may be left out of account as being adequately supplied by local rainfall. There remains a large region, chiefly in the centre of the peninsula, where the rainfall is precarious and no system of water storage has yet been devised. Here lies the problem, which can only be solved by local knowledge and tentative action. During the present winter a Commission, under the presidency of Sir Colin Scott-Moncrieff, is travelling through India, with the special object of studying on the spot the varying conditions of the tracts most liable to drought. Large reservoirs are not everywhere practicable; but the benefits to be derived from the

sinking of wells have by no means yet been developed to the utmost. Even at present the total area irrigated from wells is not less than the total area irrigated from government canals.

We have but touched upon some of the numerous subjects suggested by Mr. Vaughan Nash's book. As affecting population, agriculture, and jurisprudence, they are full of interest to the political economist, who—to tell the truth—has not learnt so much from India as he might have done. The great size of the phenomena, the comparative simplicity of the conditions, and the absence of party prejudices combine to produce a unique field for study. Nowhere else are the consequences that flow from different systems of land tenure displayed with equal clearness. As reports accumulate, and statistics extend over a longer period of time, India ought to provide us with materials for comparison much more valuable than those gleaned with difficulty from the imperfect records of European history.

J. S. COTTON

The Evolution of Modern Money. By WILLIAM WARRAND
CARLILE, M.A. (London: Macmillan. 1901. 8vo, pp. 373).

THIS volume is a somewhat disappointing production. The author has evidently studied the evolution of money with great care, and has brought together a large number of interesting facts. He tells us in the preface that "an attempt has been made to treat the phenomena of money, from first to last, from the historical standpoint" and in this way he deals with the origin of money and the chief changes in the monetary standard in England, France, and ancient Rome. The book is pleasantly written, and many of the criticisms are sound; as, for example, as we are inclined to think, when he demonstrates the improbability of the views of Professor Ridgeway as to the constancy of the gold price of the ox during several centuries. We wish, indeed, that an historical sketch alone had been attempted, in which case an interesting and useful volume might have been produced. Economic discussions are, however, frequently met with in these pages, and we cannot conscientiously advise any reader to spend time in considering them.

Mr. Carlile tells us (p. 314) that "in economics the great necessity always is to get a perfectly clear conception of the meanings of the terms that we are using, and to make sure that we never pass unconsciously from one meaning of a term to another," and it is to his entire disregard of his own sound maxim that his failure as an economic writer is chiefly due. "Take then the term 'appreciation,'" he continues, and if we do take the terms "depreciation" and "appreciation" into consideration, and endeavour to find out the meaning which the author attaches to them, we shall be much puzzled. When he speaks (p. 102) of the depreciation of the silver coinage having in the time of Henry VIII "been forced upon the country, as the later French

depreciations were, by the necessity that was felt for protecting the stores of the precious metals," he apparently uses the term in the sense of a reduction in the weight of the coins as issued, a proceeding which may have been necessary to prevent the melting down and exportation of coins of one metal or the other. In another passage (p. 140) he gives the Indian currency reform of 1898, when the Government decided not to endeavour "to reinstate the rupee at its original value," as an instance of "effecting the readjustment of a depreciated currency" by adopting "the market rate of the day as the basis of the readjustment;" and here, as far as we can tell, he uses the word "depreciated" in the sense of "fallen in price" as measured by gold. But if this latter definition of these terms be accepted, startling conclusions will follow from the astounding theory of interest casually suggested by the author. We are told (p. 315) that it seems that "commodities generally must on the average in their day, that is to say between the date of their production and the date of their consumption, have appreciated [or risen in price] more or less as compared with gold. If it had not been so there could have been no average rate of profit in the world; and then there would have been no average rate of interest." On this theory, the production of port wine and violins, since they increase in price with age, would be some of the very few ventures which economists could conscientiously recommend on commercial grounds! But we may be doing the author an injustice; for a later paragraph proves that he does not consider that an appreciation of gold with respect to any commodity to be synonymous with a fall in the gold price of that commodity. His argument is the well worn one that a fall in the price of a commodity, since it may be due to causes not primarily affecting gold, should not necessarily be regarded as a relative appreciation of gold. In giving an example to prove this proposition, in which a fall in the price of wheat on account of a reduction in the price of transportation is assumed, we are told (p. 312) that there was "no appreciation of gold as compared with wheat during the second year either. On the contrary there was again an appreciation of the wheat as compared with the gold given for it." Even on the supposition that the second word "appreciation" is a misprint for "depreciation," it is hard to conceive a definition of these terms which would make sense of this and the other quotations already given.

Many other instances might be given of the use of words to which no one definite meaning has been attached; as, for example, when he confuses "silver" with "silver coin," and "value" with "gold price." In some passages, it is true, the author appears to grasp the meaning usually given by economists to the word "value;" for he clearly indicates the reasons why the ordinary Index Numbers must not be accepted as true measures of the changes in the value of gold. But, however difficult it may be to give a perfectly satisfactory definition of the unit of value in economic dynamics, this cannot be urged as a reason for using this word synonymously with "gold price;" as he

does when he tells us (p. 10) that "the guinea then rose and fell in quotable value, like any other commodity." The clue to this confusion of mind with regard to these terms is to be found in the statement, (p. 286), that since the time when gold became the standard of Europe it has become subject to the operation of causes which "at any rate appeared to the whole practical world to preclude the possibility of all downward fluctuations in its intrinsic value." No doubt the mental inability to grasp the difference between "value" and "price" is common enough; and, though this is hardly the case with Mr. Carlile, yet the idea of their identity has become so fixed in his mind that he has to bring forward an elaborate theory to prove the invariability of the value of gold; for, of course, the "value" of gold cannot vary if it is the same thing as the gold price of gold. This discussion is, we imagine, according to the author, "one of his most important contributions to the theory of money, and the reasons for his belief are perhaps best given in his own words. Speaking of "the desire for wealth, for money, for gold or silver" he tells us (p. 337) that if "the desire for this one commodity is truly insatiable; if the nature of things is such that the demand for it must automatically increase whenever the supply is increased, because it is the one thing that every man needs in order to hold his own with his rivals in the race of life, and, because, for that end, if his rivals obtain more of it than they had before, he also must have more of it—if he can get it—then there is surely no reason why this commodity should fall in value whenever fresh discoveries chance to cause an increase in its supply, but every reason, on the contrary, why it should remain stable in value irrespective of such increases." Here it is obvious that "desire" is confused with "demand," and "wealth" with "money" or "coin." Most of us who have travelled in silver-using countries, even if our desire for wealth be insatiable, have felt the inconvenience of the possession of too much silver money, and without doubt our desire for the standard commodity has been readily satiable. How complete is the author's confusion of mind may be judged from his assertion (p. 286) that the true reason "why gold could always be bought by the Bank of England for £3 17s. 10½d per ounce did not lie in the fact that the statute of 1844 enacted it. That statute merely consecrated an existing practice." What would happen if the Act were altered so as, for example, to open the Mint to the free coinage of gold at the rate of £4 17s. 10½d per ounce, the author does not explicitly tell us; but we presume that, according to him, the force of habit, or the sense of morality perhaps, would be so great that any one bringing a thousand ounces of gold to the Bank for coinage would positively refuse to accept the extra £1,000 which the change in the law would allow him to claim!

In the chapters on "The English Transition in the Eighteenth Century," "The Position of Gold in Europe before the Eighteenth Century Transition in England," and "The French Currency in the Mediæval and Renaissance Periods," a great deal is said which is

intended to lead up to the general conclusion that the transition from the silver to the gold standard "took place at least five hundred years ago," (p. 175). Here again the discussion is nearly useless, because we do not know the exact meaning in which the words "standard," "gold standard," "latent standard," "popular standard," etc., are used. We do think that the term "standard of value," as used by economists generally, is confusing, and that "standard of price" would be more appropriate; and the exact meaning to be attached to the word "standard" is, no doubt, difficult to define. We should recommend employing the words "legal standard of price" or "legal standard" to mean the unit of money in which debts have to be paid; and if the unit of money is such, as in England, that it must *always* be equal in value to a given weight of gold, and not necessarily equal to a given weight of any other metal, then our standard might, we hold, appropriately be described as a gold standard. This definition would, however, not apply to the standard of counties where, as in England before 1816, the mints were freely open to the coinage of silver as well as gold, a period during which Mr. Carlile contends that the gold standard was already established. His reason is that the Mint price of gold "had remained for very many years at the unvarying figure of £3 17s. 10½d. as at present, while the price of silver bullion fluctuated" (p. 10). If this fact were made the basis of a definition of the words "gold standard," instead of the one we suggest, we should raise no particular objection, and, if this had been clear, the discussion would be much simplified; though we doubt if his case would even then be completely proved. But instead of attempting to give a definition of the meaning of the word "standard" the author devotes a whole chapter to the discussion of "the criteria of standard money." He tells us therein (p. 171) that "gold, and gold alone, passes by weight; and gold, and gold alone, is the medium of external trade, and it is, beyond question, in virtue of its possessing these characteristics, that we describe gold as the standard metal now." It seems useless to discuss whether these are or are not the true criteria of a standard metal until we know exactly what "standard" means.

It is hardly worth following the author further in his economic speculations. In one place (p. 142) he tells us that certain events "gave time for monetary theory gradually to adjust itself to facts as they stood." If let alone, time may perhaps gradually adjust to facts as they stand. Mr. Carlile's theories on international trade and the relation between the value of money and its quantity and its rapidity of circulation, an adjustment of which they are much in need. We will, therefore, not open up these subjects. But we repeat that in these pages, especially in the Chapters on the Two Roman Transitions, and the Emergence of the Modern System, a number of interesting facts have been brought together in a way that proves that the author has taken great pains to study his subject.

LEONARD DARWIN

The Case for the Factory Acts. Edited by Mrs. SIDNEY WEBB, with a Preface by Mrs. HUMPHREY WARD. (London: Grant Richards, 9 Henrietta Street, Covent Garden. 1901. Pp. xvi. 233).

It is unfortunate that this useful book should have just missed the right moment. A few weeks earlier it would have been in time to influence public opinion on the proposed amendments of 1901; a few weeks later, it would have been in a position to incorporate those amendments as accomplished facts in its account of the law as it now stands. As it is, the book contains some matter that is already out of date, while it is to be feared that so far as public opinion is concerned it will have passed into oblivion before the question comes again into the sphere of practical politics. Perhaps a well-timed second edition may remedy both these defects.

The book is definitely what it calls itself, a powerful presentation of "The Case for the Factory Acts," as it appears to enthusiastic supporters who are thoroughly familiar with the working of the Law which regulates labour. It is a great gain that the case should be put so strongly and clearly, as well as in such short compass; for the difficulty of compelling popular attention to think upon these matters is great. The general method of appeal is purely sensational—a lurid picture of overwork and revolting conditions on the one hand, and of poor widows forbidden by law to work for their starving children on the other. By such a method neither the supporters nor the opponents of labour legislation can prove anything. We do not mean that inquiries into the conditions of particular trades are not eminently useful as bringing to light the need for regulation, or the reverse; it is the taking isolated, very often idealised, instances, without any further knowledge of their industrial setting, which is so futile; and it is as a contrast to this method that we welcome the carefully reasoned and historical plea before us as a real contribution to the controversy. It consists of five essays, dealing with different aspects of the question, and introduced with an attractive preface by Mrs. Humphrey Ward. "The Economics of Factory Legislation," by Mrs. Sidney Webb, treats of the effects of Factory Legislation upon the trade of the country, and is most effective in slaying the bugbear of Foreign Competition. Miss B. L. Hutchins gives a short but interesting account of the "Historical Development of the Factory Acts;" Miss Gertrude Tuckwell points out "The More Obvious Defects in our Factory Code," and manages to include some at least which are less obvious. Mrs. W. P. Reeves gives a brief account of "Colonial Developments in Factory Legislation," in which perhaps the chief points which strikes us is, that our colonies place very much more reliance on the combined judgment of masters and men than the writers of the book are inclined to do. And finally Miss Clementina Black easily combats "Some Current Objections" as formulated by herself. It may be suggested

that this chapter would have been more effective if the objections had been stated and defended by some one who believed in them; the position is strong enough to meet a real attack.

But the writers are not merely concerned to defend Factory Legislation as it now stands; nor yet to point out the definite defects which private interests have succeeded in maintaining in particular industries. Their principal aim, or one principal aim, is to build up on their justification of present legislation the case for a large extension of its sphere. Though this policy is definitely stated, it is, if we may say so, somewhat kept in the background—at any rate in its full significance; and the average reader might very well accept the general position laid down without being at all aware to what he had committed himself.

We gather that there are three main directions in which the writers desire to see legislation extended, in order to cover to their satisfaction the whole field of labour. They are: the regulation of all places where work is done (including the home) on the same lines as the present regulation of textile factories (pp. 148, 153); limitation of the hours of work for all classes of labour, including adult men and home-workers (pp. 130, 165); the enactment of a National Minimum Wage, below which no one shall be allowed to work (pp. 64, 74).

The question of regulating home-work is perhaps the one to which we are nearest, and the arguments in favour of it are twofold and important. The first is, of course, the wretched economic condition of the home-workers in certain trades; the second the very serious assertion that "the increasing protection extended to the worker in the workshop or factory, puts a premium on work done elsewhere, and thus encourages the diversion of work into the hands of the outworkers" (p. 141).

If this latter statement is to any large extent true, it is an argument which cuts two ways. The opponents of Factory Legislation may fairly use it as a demonstration of how regulations are making it impossible for industry to be carried on, and are driving underground and into the homes of the people the bad conditions which they profess to cure. But it is not clear to the writer of this notice that the statement describes the situation rightly. In the laundry business, for instance, where no doubt there is a tendency for work to be given out instead of being done in the laundry, it is not because there is any premium on home work, but because there is a shortage of respectable ironers. The old-fashioned ironer, who likes to work when she likes, and to have a pot of beer always at her elbow, still holds the field to a large extent; and the younger generation of skilled ironers, who like the order and discipline of a well-regulated laundry, is not yet sufficient to undertake all the work. When an industry has been for generations in the hands of an ill-regulated, not too sober class of women, it is impossible, perhaps not desirable, to supersede them suddenly by a body of sober skilled women who will find a regulated life attractive. For a time the old-fashioned generation will take its work home and

do it how and when it likes ; but it is inevitable that before long it will pass altogether out of their hands into those of the " new woman. "

There is another reason why home-work lingers ; and that is the subsidy which women who work irregularly receive from Charity and the Poor Law. But for this, the tendency for women to find protection and a sufficient livelihood in the workshop and factory would be even more universal than it is.

Before then pressing for such change in the law as would require an immense increase in expense, officialdom, and probably also in friction, it might well be considered whether home-work of the least desirablesort is not likely to die out of itself, with the generation of women who cannot adapt themselves to the newer and better conditions of work, and of parents who refuse to give their daughters a proper industrial training.

It would take too long to discuss in all their bearings the possible and probable results of a legal eight hours day and a minimum wage ; especially as the reader of the book is referred for " full consideration of difficulties " to the portly volumes of *Industrial Democracy*. But lest the reader should rashly assume that consideration and solution are synonymous, he should be urged at least to consider the question at first hand, and not to take it upon trust. And one point there is which may be dwelt upon here ; especially as it finds illustration in the book before us. One inevitable result of insisting upon the " Common Rule " is the rejection of those workers who cannot work up to a given speed. Already the policy of the Trade Unions has made it difficult for men past the prime of life to find employment ; to press the policy to an extreme throughout the whole field of labour would be to throw an immense proportion of the industrial population out of work. Something of the kind no doubt is anticipated by the advocates of the policy (see *Industrial Democracy*, pp. 784-9) ; but we think they have greatly underestimated the enormous additions that would be made to what in another connection they call the " human rubbish-heap of Charity and the Poor Law " (*ib.* p. 767). It would be practically a division of the people into freedmen and helots ; citizens with the right to work and to order their own lives, and slaves condemned by their poor physique or lack of skill to yield their lives into alien hands.

Such a policy would tell especially hardly upon women, for whom the " speeding up " system is perhaps even less desirable than for men. No doubt women *are* inclined to be intermittent in their work ; they like to take it easily, and to rest from time to time ; and up to a certain point it is good for them physically and morally to be drilled into regularity and strenuousness. But after all, it is a question of physical constitution ; intensity of work may be pushed to an extreme at which it becomes more trying than long hours ; and the pressure of even a short day's work which must be done at great speed will tell very hardly upon most women. That this harder work is likely to result is already the experience in Victoria, where Wages Boards have

been established to regulate certain trades. It is reported that the amount of work done in a day is increased, wages are better, employment more regular, and *the women have to work harder and more consistently* (p. 178). It is also reported, and this is especially interesting, that after the "determination" in the underclothing trade many women who could not work up to the required standard left the trade and turned to shirtmaking; a movement which suggests the impossibility of raising the earning powers of all workers to a given standard by mere legislation. We are not arguing against Factory Legislation; we heartily agree that it is "of vital importance to women that they should increase their physical strength and their industrial skill" (p. 209); and we also think that judicious legislation will assist them to this. But the consequences of pushing legislation to the extremes here advocated must be more completely realised and faced; and in the book before us they are not faced at all. And it must be urged that the Victorian method of instructing Boards composed of masters and men to settle wages in a particular trade with which they are conversant, affords no analogy for the fixing by law of a universal National Minimum. It is easy to show how any one trade can be improved until it employs none but picked workers, under ideal conditions, and is carried on with a profit to all concerned; it is less easy to conceive of the fate of those who are not picked workers when all industries alike are closed to them; and that is what would have to be faced under the universal application of the Common Rule.

But indeed there is, and we hope to be excused for saying so, an almost superstitious reverence for the power of the law within the covers of this little book. Not only is the Law omnipotent, but nothing is good which does not come from the Law. For instance, the regulation of the textile trades is quoted as the ideal at which to aim, but even this is imperfect, not because there is anything wrong, but because the limitation of the men's hours is not the result of a legal enactment! (p. 153). This is surely to exalt the means above the end, for after all Factory Legislation is only a means, and often a very clumsy means, of attaining the desired end; and if the end is already attained it is the reddest of red tape to desire new enactments for the sake of developing the code logically in all directions.

It is probably true that there would be no great difference of principle involved in pushing Factory Legislation much further than it has gone at present. Any proposal which arises has to be considered on its merits; is the evil so serious as to justify interference? are there, or are there not, forces already at work which will remedy it naturally? can the interference take place without causing greater evils in another direction? these and other questions must be solved afresh every time. But there is one point which perhaps some economist might determine for us. It is this. In defending the regulation of industry introduced during the last century, Mrs. Webb assumes the position that this regulation has acted as a restriction on

free competition in the Labour Market, and maintains that the weight of evidence is overwhelmingly "against unfettered competition among wage-earners for employment" (pp. 5 and 6). But would it not be a more correct account of the result of Factory Legislation to say that it has fettered the competition among employers? It has, as Mrs. Webb says elsewhere, ruled out the "downward way" of competition and compelled employers to take the "upward way." But with few exceptions, such as the prohibition of women's work in the mines, it has never yet created a monopoly in the Labour Market by excluding any class of workers from offering their services. The Trade Unions have, of course, done this by rejecting those who cannot work up to a certain standard; and for the State to carry out this policy would be the introduction of class legislation of a kind more oppressive than we have yet seen in England.

HELEN BOSANQUET

1. *Democracy versus Socialism*. By MAX HIRSCH (Melbourne). (London: Macmillan & Co. 1901. Large 8vo, pp. ix., 481. 10s.)
2. *The Political Economy of Humanism*. By HENRY WOOD. (Boston: Lee and Shepard. 1901. Large 12mo, pp. vii, 319).

THE subject of Mr. Hirsch's volume falls into two sections—a criticism of socialism and an exposition of the "Single Tax doctrine," as an alternative and sufficient policy of social reform. It is doubtful, however, whether the argument of *Democracy versus Socialism* fulfils the purposes either of criticism or of construction. The author seems to regard socialism as the lion in the path of the Single Tax, just as Marx, with more reason perhaps, regarded the single tax as the last ditch of the capitalists. Mr. Hirsch has a somewhat simple and ready method of criticism: socialism must be logical and systematic, or it is nothing. Whatever, therefore, appears to be socialism, but is not of its essence, may be rejected; and the result is—socialism, not as it is spoke or imagined by socialists themselves, but as it is defined by Mr. Hirsch. Since the "Marxian" type of socialism best lends itself to this treatment, it is "Marxian" socialism, pure and unadulterated, that serves as the *corpus vile* for our author's strictures upon socialism generally. Socialism must be understood to be "Social Democracy," whatever unauthorized or opportunist programmes may suggest or even affirm to the contrary. This being assumed, it only remains to exhibit socialism as a perfect symmetry of all the conceptions, ethical, political, and economical, that our author thinks wrong. But the result, as might be expected, can hardly be effected without a certain amount of "contamination." Thus it has often been supposed that Social Democracy rested, to no slight degree, on certain ideas of "abstract right," or again, that, to a social democrat, State Socialism

was anathema. It is, therefore, somewhat surprising to receive the following as a "comprehensive definition" of socialism—

"Socialism is an empiric system of organisation of social life, based on certain ethical and economic conceptions. Its ethical conceptions consist, generally, of the denial of individual natural rights and the assertion of the omnipotence of the state; specially of the denial of the right of the individual to the possession of the products of his labour, and the assertion of the right of the State to the possession of the products of the labour of all individuals."

It is perhaps less surprising that it should be made a subject of complaint against Socialists that this definition "does not prevent them reasoning about natural rights as if no such denial had been given."

In justification of Mr. Hirsch's method it may fairly be urged that socialism must stand or fall by its authoritative exposition, and that it does not do to have one socialism for the chair and another for the street, as has sometimes been suggested. As against the policy of judicious vagueness, Mr. Hirsch's method certainly makes for clear, as well as honest, thinking. On the other hand, our author, as a practical politician, is scarcely justified in discounting the modifications to which not only socialism generally, but even Marxian socialism, has been subject in recent years. Socialism loses nothing of its integrity by being presented, not so much as a finished scheme or system of society, but as a principle or regulative idea of social reform. It is much more important to see whither that principle is likely to lead, than to construct pictures of the unbearable state of things that would ensue if socialism were to be introduced by a short and simple Act of Parliament. I do not wish to suggest that Mr. Hirsch's criticism is not good of its kind, or that it is not instructive, or that it may not be good reading for socialists: but it is a kind of which we have already too much. The ethical part of the argument fortunately does not concern the economist directly: it is of a character, perhaps, to send a shiver through a too delicate philosopher: but the doctrine of "Natural Rights" is in need of friends, and Mr. Hirsch is a good one. It is, moreover, a recognised basis of the Single Tax.

It is to this method of reform that the argument mounts: and it is defined as "the gradual appropriation of the rent of land and of natural monopolies, and the similarly gradual removal of all other taxation and charges for the use of equal, natural, and social opportunities." Readers of this *Journal* are sufficiently acquainted with the nature of this proposal, and with the kind of reasoning by which it is supported. Mr. Hirsch does not do much more than add to the original statement an examination of the principal objections that have been brought against the ethics and economics of the Single Tax; a whole chapter being devoted to Professor F. A. Walker's objections "and admissions." At the end the author sees signs of

grace even in socialism, inasmuch as the final argument, in favour of the Single Tax, is found (rather oddly) in its "confirmation by Socialists."

The principle of our author's social and economic philosophy is given in the following words—

"Equal rights and social opportunities, these the state can secure. Beyond this, not only can it do nothing, but every step beyond involves a curtailment of opportunities for the happiness of all and an infringement of the equal rights of some. This truth, so clear, so simple, so obvious, must guide all attempts at social reform."

With this conclusion many economists might in general terms agree: whether, however, they will be convinced by Mr. Hirsch of the "sufficiency" of the Single Tax method of reform, is open to grave doubt. It is to be wished that more space had been given to the working out of the economic results which our author anticipates from its adoption. The discussion certainly tends to be in the air, and the argument is for the most part too general—even for economic reasoning. Mr. Hirsch, however, is at home in the literature of the subject, and writes with the full force of conviction.

Mr. Wood's book is well intended, but it does not seem to possess any other distinctive merit. It aspires to be "usefully suggestive to the popular mind": but it is not easy to see to what useful results such propositions as—"Labour and Capital, when deeply defined, melt into each other," or that "Ideal political economy is the pure natural system unmarred by the clouded consciousness of its daily multiform infractions"—can guide the popular, or any other, mind. Like Mr. Hirsch, Mr. Wood also appeals to "Natural Law," but not for any purposes of reform: for "all human infelicity, whether physical, social, economic, moral, or spiritual, comes from a disregard or violation of the established order"—in other words, Natural Law. Apparently, however, it is not an easily discernible order: for "intellectual logic is inadequate to the delicate interpretation of natural law. . . . Intuition alone is able to put its ear to the ground and distinguish between discordant, and even faint, far, concordant vibrations." Under the circumstances it is perhaps not surprising that Mr. Hirsch's reading of Natural Law should differ in some important points from Mr. Wood's intuitions, and that what Mr. Hirsch discovers to be a dictate of Nature, Mr. Wood should regard as one of "the attempts—often well-meaning—to over-ride or disregard the established order." It is indeed to be feared that the mere existence of such a proposal as Land Nationalisation would be diagnosed by Mr. Wood as symptomatic of the "general moral delinquency" which is the source of all economic evil in an otherwise best of all possible economic worlds. It may be true that "Natural Law can be invariably relied upon," but the same can hardly be said of its human interpreters. Mr. Wood's book may be

edifying—we are not sure that it is—but it is certainly far from being as clear or “unclouded” as we might expect from a writer who aims at “outlining a political economy which is practical and natural” as opposed to one which is said to be “scholastic” and comparatively useless.

SIDNEY BALL

La Teoria del Salario nella Storia delle Dottrine e dei Fatti Economici. By GIUSEPPE RICCA-SALERNO. (Palermo: A. Reber. 1900.)

PROFESSOR RICCA-SALERNO is already known to students by his work on the History of Financial Science in Italy. The present work will not fail to add to his reputation. It is learned and thoughtful. The critic feels disposed to grumble at the book for being too long. Were 687 pages necessary for the task? The difficulty and importance of the subject are no doubt Professor Ricca-Salerno's justification for his full treatment of it; but a smaller book might have been more useful, and might have been scarcely less complete. A graver defect is the absence of an index; a short table of contents giving the headings of the chapters is the only—and by no means adequate—guide which the reader has to the theories discussed or the figures quoted in the book. For a motto the book has the well-known line from Dante's “Inferno,” “*Perchè una gente impera e l'altro langue*,” and it may not be unfair to suggest that owing to the absence of an index much in this book is liable to be *occulto come in erba l'angue*.

One cannot fail to be struck with the completeness of the author's study on the subject. Indeed, the only authority which he does not seem to be familiar with is Lawrence's *Local Variations in Wages*, but probably that was not published until *La Teoria del Salario* was being printed. To English readers it is especially interesting to see how much of the information contained in the evidence given before the Royal Commission on Labour has been requisitioned, and to find that English books and articles are more frequently used than those of any other country. Professor Ricca-Salerno's method is to study the facts and then to consider the theories in the light of the facts. By this means it is possible to understand why such theories as the “iron law” or the “wages fund” have been held. It is evident that a theory may have some approach to correctness in one state of economic evolution when it has little or none in a later stage. Four main theories of wages are distinguished by Professor Ricca-Salerno. They are, (1) wages depend on the demand for labour, or the quantity or the increase of capital, or of the circulating capital, or of a part of it; (2) wages depend on the value of the labour, on the supply, or on the cost of production of the labour; (3) wages depend on the product or its value, that is on the general productivity of industry; (4) wages are determined by the relative utility of the labour from which that part of product which is due to it is derived.

It is not difficult to see that these theories contain a certain element of truth and a certain element of falsehood ; but how much truth or falsehood depends very much upon the actual conditions we are studying, upon whether we are considering things for short or long periods, upon our hypothesis as to the ease with which capital and labour flow from one place to another, and above all upon the precise limits and effect of the law of substitution in the case we are considering. The first five chapters of Book VI. of Marshall's Economics have taught us the peculiarities of the action of supply and demand with regard to labour, and the care with which we must distinguish between long and short periods when we are dealing with the action of supply and demand. The chief defect of Professor Ricca-Salerno's work is that he does not go sufficiently into this matter. An elementary student would probably get a very great deal more knowledge from those five chapters we have referred to than from the whole of *La Teoria del Salario*, because the relations of the theory of wages to the general theory of distribution are so much more clearly brought out in the former. But for the more advanced student this large book will be of great value. The discussion of the effects of high wages, to take an illustration, is done with great fullness. Statistics are given to show the costs of production and the amounts produced in different countries at different times under various rates of wages. But the optimistic deductions which are often based upon such statistics are avoided. On the contrary, further statistics are produced to show that a high rate of wages often diminishes the amount of employment. This again decreases the actual total earnings of the workmen, and makes it necessary for the wives and children to supplement the family income by their earnings. It is in cases such as this, where a detailed study of facts is more important than theory, that Professor Ricca-Salerno's work is seen at its best.

His final conclusions are a little surprising. He looks forward to a time when the present system of working for wages will have vanished in the same way as slavery has. But he does not state clearly what the character of the new economic *régime* will be. No one, however, will be disposed to complain if (to use Professor Ricca-Salerno's concluding words) "in a *régime* of liberty and equality, assisted by the powerful instruments of modern civilisation, labour will reacquire its full efficacy and a character more conformable to the ends and dignity of human nature."

In conclusion it may be mentioned that the book is well printed, but somewhat spoilt by numerous misprints. C. P. SANGER

La Legislazione Operaia. Origini, sviluppo, stato attuale. By A. CONTENTO. (Turin : Roux e Viarengo. 1901. Pp. iv. 233).

THIS is a useful summary of social legislation in the leading European countries and the United States. The earlier part of the

book, which gives a short sketch of the history of the question has no special interest. Signor Contento's account of the different social schools—classified as the individualist, the social democratic, the Christian socialist, and the school of “social reform by means of the State,”—is always clear, but he does not display the wide knowledge of some Italian economists, and he is too apt to quote at second-hand. It is curious that he has nothing to say of the recent developments of Italian socialism, which even more than its German counterpart is relegating Marxite theories to the background and becoming a party of practical reform. The author believes that the immediate future at all events belongs to the social reform school, and he urges that the extreme socialists are mistaken in opposing it, because any improvement in the condition of the working classes is bound to generate new ambitions among them and therefore make for socialism. It must be confessed that contemporary tendencies in England hardly bear out his contention.

The chief value of the book will be found in the second part, which gives the outlines of working-class legislation, actual and proposed, in England, France, Germany, Austria, the United States, and Italy. He subdivides it into legislation regulating the different forms of voluntary working-class association—Trade Unions, Co-operative and Friendly Societies;—and legislation, in which the State takes the initiative of reform—Factory legislation, legislation affecting wages (Truck Acts, Fair Wage Clauses, proposals to regulate the sweating system), Working Class Insurance (Compensation for Accidents, Compulsory Sick Insurance, Old Age Pensions), and legislation to promote Conciliation and Arbitration. Under the first head he gives some useful statistical summaries, though it is strange that he omits under the head of Co-operation all mention of Agricultural Syndicates or Co-operative Dairies. The information is given clearly and is up-to-date, though the book appeared too soon to include the French Pension Bill of the present year. It is unfortunate, however, that Signor Contento has omitted to take into account the smaller European States and our Colonies. Thus he has nothing to say of the Belgian Old Age Pension scheme; or of working-class legislation in Australia and New Zealand.

BOLTON KING

Les Banques de Dépôt, les Banques de Crédit et les Sociétés Financières. Par ANDRÉ E. SAYOUS. (Paris: L. Larose. 1901. Pp. 339.)

THIS book, dedicated to Professor Gide, whom the author salutes as the eminent master of the rising generation, is the reproduction of a series of free lectures delivered in the University of Paris before the students of the *Faculté de Droit*; the circumstance that lectures on such a subject were admitted in the precincts of an official Law School, is a striking evidence of the transformation undergone since half a

century by the official mind. In fact, however, exact notions on the nature and operations of contemporary banking are certainly no superfluity for future barristers and magistrates.

M. Sayous, who has himself passed through a course of practical initiation in and out of France, is a rather bitter critic of the system which is every day extending in France, and has to a great extent superseded the old system of private bankers of high local standing, who, according to M. Sayous, were generally willing to lend a helping hand to impecunious industrial and commercial talents, whilst the present "financial bazars" as he scornfully denominates them, are managed in the red-tape spirit of public offices. The main object of the heads of provincial branches is carefully to avoid anything which might interfere with their own personal promotion; the main object at head quarters in Paris is to drain every drop of existing savings and to cram the public with State bonds and shares of foreign companies; seldom are advances granted even to the most deserving concerns. Never was, according to the author, the general interest more thoroughly opposed to the interest of a few. He also expresses his want of confidence in the published balance sheets, the disposition of which is such that the real *liquidity* of extant resources cannot be even approximately ascertained. It must be confessed that, allowing M. Sayous' severity to be excessive, public opinion in France is inclined to endorse many of his strictures.

German and English methods of banking are also passed under review. Want of pluck is certainly not the fault of German banking; M. Sayous admires their spirit of enterprize but at the same time expresses fears which quite recent events, posterior to the date of issue of his book, have amply justified. On the whole, he appears to consider the English system as the soundest, but it is too peculiarly English to be transplanted on the Continent.

E. CASTELOT

Dictionnaire du Commerce, de l'Industrie et de la Banque. Publié sous la direction de MM. YVES GUYOT et A. RAFFALOVICH. (Paris : Guillaumin & Cie. 2 vols., 8vo. Pp. 1286 and 1702.)

THE editors and the publishers of the new *Dictionnaire du Commerce* must be congratulated on the completion of their enterprise in the relatively short period of a few years. Still, both the editors and their four hundred contributors have strictly adhered to the rules adopted from the beginning: the *Dictionnaire* was intended to be not a compilation of more or less recent publications, but a collection of entirely new articles, forming a practical repertory of banking and of commercial and maritime law, as well as a concise but full dictionary of commercial geography, and a descriptive handbook of almost any kind of article dealt with in trade or produced by human industry. This aim and these rules have been steadily kept in sight.

In order to secure practical usefulness, MM. Guyot and Raffalovich have for each subject applied to a leading specialist : so the articles on *Precious Metals* and *Money* have been written by M. De Foville, formerly Master of the Mint, on *Agricultural Produce* by M. Zolla, on *Sugar* by M. Cronier, the manager of the Say refineries, on *Customs* by M. Pallain, formerly head of the service in France, on *Alcohol and Spirituous Drinks* by the President of the National Wine and Liquor Syndicate, on *Commercial Law* by M. Lyon Caen, the well known professor in the Paris School of Law, &c. &c. This enumeration might go on for pages, confirming our statement that in each case the right task has been entrusted to the right man. In some cases short bibliographical notices have also been put before the reader.

The *Dictionnaire* is thus really what it was promised to be. To state that their promise has been kept is to pay the editors the highest praise which they could deserve, and have in fact amply deserved.

E. CASTELOT

NOTES AND MEMORANDA

WAGES BOARDS IN VICTORIA

IN the September number of the *ECONOMIC JOURNAL*, Mr. W. P. Reeves gives a sympathetic summary of the reports of the Chief Inspector of Factories, Workrooms and Shops in Victoria on the working of the minimum wage-law in that Colony. Mr. Reeves sums up the results of three years work as follows :—

“ In their efforts to reorganise six sweated trades they had succeeded in four, and partially succeeded in the other two. . . . Except, perhaps, in the bootmaking trade, they had done very little of which the decent majority of masters could fairly complain. On the contrary they helped the fair employer against the undercutter and the sweater. Prices to the consumer had not been appreciably raised by their reforms ; the public, therefore, had nothing to grumble at. Making full allowance for errors, humanity was the better for what had been done.”—(E. J., pp. 341-2.)

Consequently, in 1900, the operation of the Act of 1896 was extended and twenty-one other industries were brought under its operation. At the same time a Royal Commission was appointed to inquire into the effects of factory laws upon trade, manufacture, labour and commerce ; but, says Mr. Reeves, “ If we may judge by the investigations of former commissions into factory and shop life in Melbourne, the report of this body is not likely to do much harm to the cause of reform ; all earlier reports and evidence have fed the demand for more regulation.”—(E. J., p. 342.)

Mr. Reeves being well acquainted with the conditions of colonial life probably assumes some knowledge of them on the part of his readers. The assumption is, however, justified in but few cases amongst the great mass of English wage-earners naturally interested in the successful result of such drastic legislation. A little closer examination of the Chief Inspector's reports seems therefore advisable for the Victorian experiment to convey its full lesson to English students and reformers.

The area of Victoria is almost exactly equal to that of England,

Wales and Scotland. The population is nearly equal to that of the county of Durham. More than one-third of the total population are inhabitants of Melbourne and its suburbs. In 1897 the total population was estimated at 1,172,790, and that of Melbourne and suburbs at 454,852, or 38·8 per cent of the whole; the population of the other urban districts was estimated at 197,110.

Although the population of Melbourne and its suburbs according to these estimates is nearly equal to the population of the rural districts, its industrial importance can hardly match its numerical equality. The total area covered by urban districts in Victoria in 1893 was 632 square miles with 1010 persons to a square mile; that of the rural districts was 87,252 square miles with 6·1 persons to a square mile. In 1897 the estimated value of agricultural produce was nearly £7,000,000. The estimated value of the produce of the dairy farms was more than £2,500,000. The value of the wool production was more than £2,000,000; that of the gold raised was over £3,250,000. In addition to dairy cattle, the live stock included in 1894 about 1½ million of other cattle, 13 million sheep, more than ¼ million pigs, and nearly half a million horses.

Clearly all this counts for much more in the prosperity of the colony than the 3,739 factories and workshops in 1897, employing 45,178 persons, mainly in Melbourne, coming under the operation of the Factory Acts.

The Chief Inspector's reports do not separate the numbers in Melbourne and suburbs from those in the other urban districts. Moreover, in giving the summary of wages returns he does not give any hint as to the way they have been calculated; they show "the average weekly wages paid for 48 hours' work"; but we are not told in the Tables whether they are obtained by dividing the total year's wages by the number of working weeks, or whether one week when full time was worked has been taken as representing the whole, or whether some other method has been adopted. The years during which the experiment has been tried are years of almost universal trade prosperity. Still we have not the right to assume that an industry in which wages have been forced up by artificial means is able to give as regular work as other trades.

Again, the returns vary very much in the completeness of their application, a fact to which attention must be called in quoting the summary of results.

A point to which neither the Chief Inspector nor Mr. Reeves refers is one of really paramount importance,—the effect on wages and numbers in other trades. An increase in rates of wages in any trade if produced by greater prosperity in that trade draws workers to it and away from worse paid trades, with the result that the others are obliged to pay higher wages and their rate of expansion is diminished. This is not the necessary result of an artificially produced rise of wages in one or two trades.

The Baking Board, Mr. Reeves tells us, met with very little trouble:—

“As no piece-work was done amongst the bakers they were saved from a common cause of complication. By raising the pay of men to a shilling an hour and fixing the apprentices’ minimum at five shillings a week, they gave, it was reckoned, an immediate increase of 25 per cent. to the adults in their trade. Country bakeries were not affected by their “determination.” Nevertheless, the average weekly wage paid to men and boys in the trade throughout the colony, was raised from 32s. 5d. for the year 1896, to 41s. 6d. for 1898, and to 41s. 10d. for 1899. In other words, the average gain for every worker was 9s. 5d. a week, though the gain to the men was, of course, more, and to the boys less than the average. As the law also limited the working hours to forty-eight weekly, the fortunate bakers got much more pay for much less work. Yet very little friction seems to have been caused by the change which, in practice, was neither ruinous to employers nor inconvenient to the public.”—(E. J., p. 338.)

First of all with regard to the statistical basis on which these results have been calculated.

In 1896, the factory return gave the number of bread bakeries as 383, and the number employed in them as 861 males and 2 females. The wages return, although nominally compulsory, refers to 387 persons only. In 1899, the number of bread bakeries is given as 447, and that of persons employed as 958 males and 7 females; the wages return refers to 669 persons.

The figures in the latter year may perhaps cover the whole ground, for one person working on his own account in a bakehouse constitutes a factory and an employed person. The baker on his own account is thus included in the number of persons employed, as well as in the number of factories.

Turning from the wages statistics to the Chief Inspector’s reports, in the Report for 1898 (p. 6), we find this passage:—

“Expressed in money the effect of the determination has been that the sum of £15,005 18s. has been divided among the employés in the bread trade if they were in full employment during the year. If they were not employed, the sum is simply proportionally reduced and a proportionate amount of work was not done.”

And further on (p. 6):—

“In many bakehouses the men who bake bread are also engaged to make pastry, &c. The determination of the Board only applies to the time the men are engaged in making bread, and there is no legal wage for the time they are making pastry. This fact has, in some cases, led to evasions of the law. For instance, the full rate will be paid for the hours a man is engaged at bread-making, and little or nothing for the time he is making pastry.”

And in the Report on 1899 (pp. 6-7):—

“The one drawback to the successful working of this determination seems to me to be repeated allegations by both masters and employés

that many employers are not really paying the legal wage. I am loth to believe such a general charge against a body of employers can be true. No doubt there are individual cases of evasion, but that a large body of employers would deliberately break the law, and rob their employes of part of their earnings seems incredible, and it is also incredible that a large body of men would submit to such oppression. I have never been able to get evidence which would justify such a charge. When I have heard it made, I have always pressed for particulars, and the usual reply is, "That some one told me that some-one was doing so-and-so," but as a rule names were carefully omitted. Parliament appears to have now done everything that a reasonable man could ask to protect the workers in this trade, and if the men have not the courage to see that they get their legal rights, I do not see what further can be done.

"The idea which prevails in some quarters that expert inspectors should be appointed to watch and question the men who are alleged to be working at less than the legal wage seems to me to be unpractical. No expert in a trade can compel a man to tell the truth, and that is all that is now necessary to secure to the men their full wages."

The next "determination" to come into operation was that of the Furniture Board. By sanction of Parliament, owing to the fact that the predominance of Chinese in the trade would have enabled them to have elected the whole of the representatives, or at least a predominance of the members of the Board, the members of the Board were nominated by the Governor in Council.

According to Mr. Reeves, the result "was a gain of 6s. 9d. a week all round, but of this, only 1s. 2d. went to women and girls. In the 'European' factories—i.e., where the workpeople were whites—no great difficulty was found in getting the new rates paid. With the Chinese it was otherwise. . . . Only by many prosecutions was some respect for the law tardily obtained. Still, annoying and baffling as the lying obstinacy of the Chinese was, by the year 1899 the state of the furniture trade was a cheerful contrast to its demoralised condition in 1893. The white workers were no longer sweated, and bitterly as their employers complained of Chinese evasion of the law, business was brisk and they were able to live and carry on."—(E. J., p. 340).

Reverting to the statistical returns and remembering that one person making furniture on his own account constitutes a factory and an employed person, we find in 1896, 83 European furniture factories employing 584 men and boys, and 89 women and girls, or 8.1 persons per factory, and 99 Chinese factories, employing 444 men and boys, or 4.5 persons per factory. In 1899 the European furniture factories numbered 245, employing 1,103 men and boys and 120 women and girls, an average of 5.0 persons to a factory; the Chinese factories numbered 118, employing 488 men and boys, or 4.1 persons to a factory.

Evidently the number of small factories had increased and coincidentally the opportunities for easy evasion of the "determination." The increase in the number of those employed points to a revival in the furniture trade. One inspector reports that, in 1899, there were several strikes in separate factories for an increased rate of pay, which had to be conceded (*Report for 1899*, p. 14).

The wage returns for 1896 refer to 500 men and boys and 86 women and girls employed in European factories. In 1899 they refer to 754 men and boys, and 88 women and girls in European factories, and to 372 men in the Chinese factories.

No one believes for a moment that the Chinese are making correct returns. In the Report for 1898 (p. 16) the Chief Inspector says:—

"I feel it my duty to say clearly that I do not place the slightest reliance on the returns supplied by many of the Chinese manufacturers. It is notorious that piece-work is being paid by the Chinese, yet all Chinese employes are returned to me as receiving wages at the minimum rate, *or more*. Both the Chinese manufacturers and employes maintain stoutly that the minimum wage is observed, and, as stated in my Report last year, before such steady and consistent falsehoods the Department is powerless. I do not say that none of the Chinese receive the minimum wage. Some do, and even more than the minimum wage; but the officers of the Department are convinced that, as a rule, piece-work is paid. I admit fully and clearly they beat us all along the line, and that the Department simply fails to enforce the determination in their factories. What can be done with men who meet you with a bland smile, and maintain, without hesitation or doubt, that the law is fully complied with, when you are morally equally certain that the law is broken every day and hour in the factory? They are seldom rude, an unfailing politeness and courtesy marks all their utterances; but, with the view of obtaining information, an officer might just as well question the furniture they make."

The reports of the inspectors on the action of the Chinese are suggestive. There must be few English factory inspectors whose experience would lead them to deny that European whites are equally capable of subterfuge, and are only inferior to the Chinese in the amiability which lends grace to their operations.

In the Report for 1897 (p. 11), Mr. W. H. Ellis, Inspector of Factories, says:—

"The effect on the Chinese workers was the very opposite to what was expected. The slow workers among them were dismissed wholesale. The result was that the men discharged, being at one blow deprived of their means of livelihood, started for themselves, and new factories, with one, two, and three workers, sprung up like mushrooms. When questioned as to rate of payment, they usually said:—'Alle same company;' or, 'We alle same share um profits.' It is very difficult to get a truthful answer from them where it concerns their pocket. There

seems to be a sort of Freemasonry among them. If you ask one you ask all.

"The effect of this on trade was most disastrous. These men, being well up in the style of furniture that sold best, commenced working one against another, and in their anxiety to succeed cut the prices to such an extent that one of the largest purchasers from the Chinese assured me that he could now buy furniture cheaper than ever he could before.

"To make matters still worse, the Chinese makers formed a very powerful union, which framed a log based on the extra rate, the increase being in some instances as much as 50 to 75 per cent. on former prices. This affected the larger Chinese factories to such an extent that they were unable to compete with the small factories at the prices stuff was sold for, and they purchased from individual Chinese workers to supply their customers, finding that they could buy much cheaper than they could make. Very few large Chinese factories now exist, as they have been gradually forced to reduce their hands through this cause.

"I was informed that almost all of the large employers had lost money. It appears to me that the determination has not improved the condition of the European manufacturer at all, but that the Chinese as a body have benefited by it.

"I think a great mistake was made in not fixing a piece-work rate. The Chinese never found any difficulty in working under a piece-work log, and I cannot understand why Europeans should."

The same inspector in the Report for 1900 (p. 21) throws a side light on the practical administration of the law :—

"The same difficulty exists in enforcing the law with regard to the Determination. The duplicity they display is astonishing. There is no difficulty in getting them to understand anything that is in their own favour, but directly it is the reverse they are as immovable and as unimpressible as the Sphinx. You are invariably met with the too familiar expression, 'Me no savee,' which conveys a world of meaning.

"Having to visit a Chinese cabinet-maker recently with regard to the contents of a record forwarded to the Department by him, I called in the services of a Chinese interpreter for the purpose of questioning him. He was asked how much he paid his hands per week; he said 48s. Also questioned the men, and they replied likewise. When questioned as to the contents of record sheet, which showed a much lower rate of pay, and asked him if that was his signature, he said, 'Yes,' and then said, 'My flend writee for me; he makee mistake. I no more savee.'

"Having obtained the name and address of the Chinese in question, we set off to interview him with regard thereto. We had not gone far before we saw the Chinese we had just left going as hard as he could in the direction of the man whose address he had just given us. It was a race as to who would get there first, and finally ended in a dead heat.

"The Chinese—'his flend'—said he filled it in according to instructions, and then immediately afterwards said he might have made some mistake. It is a most difficult matter to get them to put one another away."

The four other Boards deal with four sections of the clothing trade, viz., the boot and shoe, tailoring, shirt, and women's underclothing trades. Here we come to much more genuine, if not more satisfactory, results. With one very important exception, these cover all the factory and workshops industries employing more than 1,000 women and girls. That exception is the dressmaking industry.

Dealing first of all with these industries only in so far as they affect women and girls, we are given the following figures :—

Industry.	1896.			1899.		
	Factory returns.	Wages returns.		Factory returns.	Wages returns.	
	Number of women and girls employed.	Number of women and girls included.	Average wage.	Number of women and girls employed.	Number of women and girls included.	Average wage.
Tailoring	3,994	2,601	s. d. 15 5	4,250	3,940	18 6
Shirt making	462	376	14 5	761	778	15 4
Boot and shoe making	1,148	925	13 4	1,233	1,166	14 11
Underclothing					1,128	12 4
and Dress, millinery and mantle making	4,606	3,762	11 2	6,199	5,042	10 9

The number of women and girls employed in tailoring, boot and shoe making, and shirt making, rose from 5,604 in 1896 to 6,244 in 1899, an increase of 640 women and girls, or 11·4 per cent.

The numbers engaged on underclothing are not separated from the dressmaking section; as the "determination" with regard to them did not come into force until the middle of 1899, and, as it appears from the Report, that the "determination" did not affect them when engaged on other work, the number in this branch cannot have been much affected by the action of its Special Wages Board. The total number of women and girls employed in this women's dressmaking group, for which the average wage was lowest, rose from 4,606 in 1896 to 6,199 in 1899, an increase of 1,593 women and girls, or 34·6 per cent.

Clearly, then, the natural flow of labour into channels in which wages are highest was checked and directed into those where they were lowest, by the regulations of the Special Boards. The reports of the inspectors confirm this. In the ready-made tailoring trade, time

wage was substituted for piece rates and the amount of work to be done in the time increased; the more capable of the outworkers were employed in the factory; the other outworkers lost their work. The proportion of apprentices or improvers to full adult workers earning the minimum wage was limited to one for every three adults (raised in 1900 to one for every two). The result of this was, to use the Chief Inspector's own words, in the Report for 1899 (p. 18), that "the whole of these skilled workers are relieved of any fear that their places may be filled with half skilled juvenile labour."

In these five clothing trades, then, we have 10,210 women and girls employed in 1896, of whom 55 per cent. were in trades averaging over 13s.; whereas in 1899 we find 12,443 women and girls of whom only 50 per cent. were employed in these better paid trades. The rich *may* have been growing richer, but the proportion of the poor has been growing greater.

Nevertheless dressmaking is not one of the 21 trades for which new Special Boards were to be created under the Act of 1900.

Turning to the effect on men's employment it will be noted that the Underclothing and Shirt Boards practically do not touch workmen as producers. Nearly all the men affected by the tailoring "determinations" are engaged on order work, and here we are told that the rates fixed were not higher than those already paid in first class shops, and that in second class shops the prices for order work were raised and obtained without difficulty. Still the number of men and boys in both branches of the trade only rose from 1,152 in 1896 to 1,251 in 1899.

In the boot and shoe trade, the one affecting the largest number of men and boys, the numbers fell from 3,122 in 1896 to 3,033 in 1899. The failure is attributed to the difficulty of competing with American manufacturers employing the newest and best machinery. In the Report for 1898 (p. 13) the Chief Inspector says:—

"Before closing my remarks on this determination, I desire to refer to what is the saddest feature of the excess of labour over demand. *The men are not true to themselves.* It is notorious that some of the men who are quite able to earn the minimum wage, and are no doubt actually earning more than that sum for their employers, sign for the minimum wage and take less. I have had repeated complaints from men that it is done, and repeated admissions from men that they have done it. Prosecutions for these breaches have been undertaken successfully. It is, however, very difficult to get sufficient evidence for such prosecutions. Most undoubted evidence of fraud is necessary, as if men were allowed to sign for wages and then simply deny they received them, our whole commercial system would be rendered unstable, and no one would be safe. Why do they do it? Because they are afraid of not getting work, because they know that there are men at the door of the factory probably waiting for any chance to take their places; because they know there are old and slow workers who are willing to

take any wages and sign anything if they can only get work! An old man I once asked to sign a statutory declaration as to his wages looked me fair in the face and said:—‘Mr. Ord, I’ll declare anything you like.’ What he meant was—I must work, and to get and keep the work I will commit perjury if you like. Can anything be sadder? After that day I determined that, so far as I could help it, I would never again put a man in such a position. There is some excuse for the old men, but when the same is done by young strong men, one begins to ask how can Parliament protect the men against themselves?”

In striking contrast with the slow development in these wage “determined” trades, in a time of great prosperity, is the advance in the numbers engaged in foundries, which rose from 3,915 in 1896, to 5,394 in 1899, an increase of 1,479 persons, or 38 per cent.

Enough has been quoted to show that a favourable verdict on the Wages Board system in Victoria can hardly be a foregone conclusion if it is being tried before an impartial and competent commission. “*Le plus grand dérèglement de l’esprit est de croire les choses parce qu’on veut qu’elles soient.*” The importance of critical examination and candid pronouncement with regard to the alleged results of the system, may be emphasised by a quotation from the Annual Report for 1900, of the Chief Inspector of Factories in Queensland (p. 13):—

“The possibilities of future developments underlying these figures open up a subject which is not within the scope of this report to discuss, but it would appear certain that important changes are impending requiring earnest scrutiny. Victoria will presumably very reluctantly relinquish her minimum wage. South Australia has already adopted regulations for the appointment of Wages Boards, and New South Wales seems to be moving in the same direction.

“Will Queensland be forced to follow suit, or will Victoria have to recede from her present standard? It is, I think, obvious that, after the introduction of interstate free trade, the two scales cannot continue to exist as they do now.”

CLARA E. COLLET

GERMANY'S COMMERCIAL PROGRESS

COMMERCIAL Germany is the Germany which possesses most interest for English people at the present time. We should, of course, have preferred that she had continued to concentrate attention upon the production of music, poetry, plays and philosophy. As a fact, she has chosen to turn trader, and has so far done it with wonderful effect. The practical question, then, for the “nation of shopkeepers,”—though the questionable distinction is one which is to be conceded to us no longer save in phrase—is, How has this economic revolution been brought about? What are the forces which have been at work, the methods which have been employed?

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Germany's rush forward as an industrial and mercantile country may be dated from the successful issue of the war with France in 1871. That event, concurrently with the establishment of the Empire, gave to her new life, both politically and commercially. Then for the first time did the Germans become conscious of their collective power and of their great national possibilities. A new youth—that unspeakable blessing which the gods so seldom bestow upon mortals—was given to them, and with all youth's energy and ardour and audacity they plunged at once into a bold competition with neighbours of whom they had hitherto stood in a certain awe, and who, in truth, had for their part taken their new rivals very lightly and treated them very cavalierly. The losses in the war, by wounds and disease, had severely drained the manhood of the country, but nature speedily made good the hurt, and history repeated the teaching which Malthus has put into the formula: "Wars do not depopulate much while industry remains in vigour." Before the life and death contest with France, Germany had laid the foundations of a great commercial career, and that contest brought to a victorious close, she at once applied herself assiduously to the realisation of her ambition to win a recognised place amongst industrial States. Old cities and towns, which had rusticated for half a century, at once sprang forward, as though a vast accumulated momentum had suddenly been released, and increased enormously in size and population. Industry leaped to the front and commerce expanded, as capital became loosened, and sought new and larger channels of employment.

And now Germany began to feel for the first time the full benefit of the system of education which she had adopted long before most of her rivals had learned to regard public instruction as a serious affair of the State. At a time when industrial science stood on the threshold of a new era, which was to prove more brilliant than any in the past,—when the incalculable value of chemistry as a marketable science was to be recognised, and when electricity was to dazzle the world, not only by its light, but still more by its adaptability to the ends of industry—Germany, more than any other European country, found herself fully equipped for entering upon a fierce competitive struggle, under entirely new conditions, for the commercial mastery of the world. Her technical schools turned out, as by word of command, an army of trained artificers, armed with the last uttered word of science upon the industrial processes and appliances which henceforth were to hold the field. Her elementary schools—in which, in Prussia at least, compulsory attendance and free instruction had been in operation for the better part of a century—held in readiness for her factories and workshops an unlimited supply of intelligent workmen, who had not only acquired a liberal education, as elementary education goes, but who brought to the exercise of their crafts a useful grounding in technical knowledge and a certain manual dexterity which had been gained in the continuation and the professional school. Finally, the military

system which had become incorporated in the very life of the nation—whatever its disadvantages in other respects,—had imbued the industrial forces of the land with a spirit of discipline and order, which was bound to be of untold service in the reorganisation of industry upon modern lines.

Of German towns the metropolis has, of course, increased in population most since expansion became the universal rule. A hundred years ago Berlin was an insignificant town of some 150,000 inhabitants. Half a century later its population had ~~not~~ reached 300,000, and when the Empire was established in 1871 it had only just turned 800,000. From that time forward rapid growth began. In another decade its population had reached 1,150,000, in 1885 it had grown to 1,315,000, in 1890 to 1,578,000, in 1895 to 1,773,000, and at the present time it is about 2,000,000. The effect upon the value of land has been magical but also, from the poorer inhabitants' standpoint, deplorable. Sixty years ago land could be bought on the outskirts of Berlin for £1 a Prussian acre. The same land has now a value of £1,500 an acre. Rents, both in and around Berlin, have as a consequence created a housing problem which grows acuter every year. But all the large towns can show great progress, and the number of these towns has increased considerably. In Germany a relatively "large town" is officially connoted by a population which exceeds 100,000, as distinguished from towns of "medium" size (with a population from 20,000 to 100,000). Ten years ago (1890), to go no farther back, Germany had 26 "large towns," and only six whose population exceeded a quarter of a million. During the decade the number of "large towns" has increased to thirty, and the towns with 250,000 inhabitants or over to eight,—Berlin, Hamburg, Munich, Leipzig, Breslau, Dresden, Cologne and Frankfort on Main, with two other towns just on the line. Taking the Empire as a whole, the yearly increment of population is now some 800,000 souls. When the Empire was established the population of the States composing it was in round numbers 40,000,000. To-day it is 53,000,000, and without counting the incorporated provinces of Alsace and Lorraine the increase has been between eleven and twelve millions, in spite of wholesale emigration. During the same period France, with two-thirds of the population, has only increased some two millions.

How far this growth of population and this expansion of trade and industry had been accompanied by a corresponding increase in the wealth of the people remained a matter of more or less vague speculation—I speak here of Prussia particularly—until the introduction of a direct tax on incomes upon the principle of English self-declaration nine years ago made it possible to form fairly accurate calculations. This tax—everywhere so obnoxious, yet everywhere so convenient and so fertile—was levied the first year on personal income alone (as opposed to the income of joint-stock companies, registered trading associations, and the like), to the amount of £300,000,000, and it is

estimated that the total national income of Prussia is now nearly £500,000,000, giving an income per head of the whole population of nearly £16 and per family of over £70, while the average income of the taxpayers themselves is roughly £140 in the towns and £90 in the country. The largest income declared so far is £350,000; there have been two incomes of over £250,000; two others have exceeded £150,000; and thirty-five have exceeded £45,000. It is noteworthy, too, that the largest returns have come not from the capital but from Frankfort on Main, Wiesbaden, Bonn, and Düsseldorf. Taking Berlin only, in the year 1897 the largest income declared was nearly £150,000; seven incomes exceeded £50,000; and descending from these altitudes of wealth there were 1,852 persons with an income exceeding £2000, 2,623 whose income was between £1000 and £2000, 8,035 whose income ranged between £450 and £1000, 12,559 who had £260 or over, 17,680 with £150 or over, making a total of 42,000 persons whose income exceeded £150, though this number was less by nearly 2,000 than three years before. The incomes between £45 and £90 had, however, increased to the extent of 21,000. The aggregate income of Berlin now exceeds £63,000,000, equal to over £30 per head or £160 per family on the average.

In some respects the present phase of Germany's industrial development is particularly interesting to the English student of economics. For Germany affords an illustration of a country which has not yet entirely gone over to the factory system of production on a large scale (*Grossbetrieb*, to use the economic term). The handicrafts, the characteristic feature of which is the small but independent master, surrounded by his handful of journeymen and apprentices, contend tenaciously, though unhappily without more than negative success, against the oncoming tide of "great capitalism" (private, joint-stock, and co-operative), and the house industries continue to afford employment to a very large section of the rural population in not a few of the States. It is a pathetic spectacle, this strenuous endeavour of the representatives of the earlier modes of production to hold their own against the powerful forces which steam, mechanical ingenuity, and combination of capital are able to array against them. It is a contest in which, as experience unmistakably teaches, the weaker side is fated sooner or later to go to the wall, yet no one dare assert that the coming predominance of gigantic industrial enterprises, and the sweeping away of the small independent existence, hold out any sure prospect of unmixed economic advantage, much less of social peace.

It is a matter of surprise that the handicrafts have so long withstood the advance of this relentless stream of economic tendency. At the beginning of the century there were 24·9 master artisans to every 1000 of the population in Prussia; in 1861 the number was 28·9, and in 1895 it was still 26·7, but since that time the decline of the handicrafts has progressed very rapidly. Some are already as good as dead—spinning, weaving (save in the rural house industry), coopering, nail,

rope, and button-making; others are quickly losing ground, as the pottery, cutlery, copper and lock-smithry, and to some extent shoe-making and joinery industries; and few show no serious signs of decay, though these include one of the most skilled of industries, that of watch- and clock-making. All that can properly be done by legislation and by State help to postpone the extinction of the handicrafts is being done, and especially by the resuscitation of the Guild system on a basis as consonant as possible with such principles of individual liberty as have been embodied in modern political and economic legislation. The organization of handicrafts is encouraged in every way, though the Government has wisely stopped short of compulsion, much to the regret of the Conservative and clerical parties, who fail to recognise that the application of coercion would tend to artificiality and weakness, and that the best way of popularising trade guilds in an age of industrial freedom is by appealing to class-consciousness, emulation, and pride in honest workmanship.

The house industries, too, are making a desperate stand, and are illustrating the common experience that the threatened life is often the most tenacious. The hand-weaving industry of Silesia, one of the oldest and largest of them, has been declared hopeless a hundred times, yet it maintains its ground wonderfully, and the population of the hill country in that part of Prussia would be plunged into penury but for the employment it offers. In the Black Forest clock-making is an extensive industry amongst the peasantry, and the prosperity of some of the villages so engaged is almost wholly dependent upon the trade done with England, the United States, and other countries. Rural Thuringia is largely given up to basket, cork and doll-making, wood-carving, and the fashioning of toys of a thousand kinds, which latter ingenious business is centuries old; and the highlands of Saxony and Bavaria have also a large house-industrial population.

Yet though the house industries in the aggregate find work for scores of thousands of people of both sexes and of all ages, who would otherwise either be compelled to migrate to the miseries of town life or to slowly starve on insufficient food at home, it cannot be ignored that they rather alleviate the economic conditions of rural life than furnish an ideal standard of life. In judging their practical value and their place in a modern industrial system the question which it is most essential to ask is—What would become of these workers and their dependants did such means of earning not exist? There can be no doubt that the poverty which even now prevails in the house-industrial districts would become far acuter, and the life of the small peasantry, infinitely less endurable, were these industries allowed to die out. It is the recognition of this fact that has led the Governments of all the States having populations so employed to encourage and help the rural industries by every means in their power—by offering technical instruction of a kind suited to each locality, both by schools and travelling teachers, and by liberal grants of public money in special

times of misfortune. In Bavaria travelling teachers are appointed by the State, whose duty it is to go from place to place in the rural districts where hand-weaving is still a staple industry, supervising the work done, and imparting systematic instruction to beginners. Not only so, but these teachers negotiate between the weavers and the dealers of the towns who purchase their goods, with the result that higher prices are obtained and the supply is more successfully adapted to the current demand, so that the weavers are often prevented from producing superfluous goods which would have to be sold at hunger prices or lie long upon their hands.

A short time ago one of the ablest and most important of German journals, the *Cologne Gazette*, reminded its readers that "It was Englishmen who in Germany first took in hand the construction of railways, gasworks, tramways [still so called in some German towns] and machine shops; who applied to these enterprises the ample resources of British capital; and who thus acted as pioneers of German material development."

That is all true, but the lugubrious application of the truth is that the English initiative here so handsomely recognised is virtually a thing of the past, that English ideas and capital no longer enjoy the field for profitable employment which so recently was theirs in more than one of the German States, and that native ingenuity and perseverance, equally with the native genius for adaptation and imitation, have been able to turn the foreigner's weapons effectively against him. Less than thirty years ago a year's exports from Germany amounted to but £116,000,000 and a year's imports to £163,000,000. Now the exports exceed £221,000,000 and the imports £279,000,000, giving a total foreign trade of roughly £500,000,000 against £279,000,000 soon after the Empire was established. But statistics of the kind are not needed to prove the progress of German commerce, for scarcely an English industry can be named which has not suffered of late years owing either to the falling off of the German demand or to German competition in the open markets of the world.

What it is more urgent to know is, how it comes about that the Germans have succeeded so well in the policy of supplanting the English producer and distributor, both at home and abroad. Briefly, this result has been attained by plodding, persistent effort, supplemented by the skilful choice of the means most likely to lead to the desired end. While the Englishman has been accustomed to regard commerce as a purely rule-of-thumb matter, the German has followed it as at once a science and an art, and in reality all the hundred and one methods and measures which he has adopted in competing with his older rivals for the trade of the world may be reduced to one principle—characteristic of the Germans in so many ways—the application of a trained intelligence to the practical affairs of life.

Broadly speaking, where the German outrivals his competitors it will be found that his success is due to one or other of three reasons—

(1) the cheaper price of his goods, (2) their superior or more serviceable character, (3) the more efficient arrangements he makes for reaching and attracting purchasers.

In his endeavour to produce more cheaply the German manufacturer is helped in several ways. In the first place the entire standard of life in Germany is less pretentious than in England, and this holds good in every class of society. Luxury—comparative luxury—is making headway as money is accumulated more easily and more rapidly, but on the whole life is simpler, there is less personal indulgence, habits are less expensive, even amongst the so-called moneyed class, than with us. The consequence is that the German manufacturer is contented with less profit than is expected in England. He has also a great advantage in the smaller industrial salaries and wages which he has to pay. Of late years the workman has successfully made large demands upon his employer both in respect of wages and the hours of labour, but even yet the former are much lower, the latter much longer, than with us. Yet in fairness it should here be said that the workman enjoys very substantial compensation in the form of his three Insurance Benefits (sickness, accident, and old age), and that the statutory protection afforded to female and juvenile labour is far greater than in England. Apparently the tendency of things should be still more to the German employer's disfavour, though on the other hand it must be remembered that the adjustability of industry to its increasing burdens, within surprisingly elastic limits, has been proved over and over again in our own experience. In Germany it was feared ten or twelve years ago that the Industrial Insurance Laws, in imposing upon employers partial (and indeed a large) liability for the workpeople's premiums, would severely handicap the producer and indefinitely retard the progress of the export trade. This has not happened, however, for the period of Germany's greatest stride forward as an industrial and mercantile country has synchronised with these beneficial laws, with their heavy tax upon both employer and labourer.

The great secret of the German manufacturer's success, however, is his studied endeavour to meet the needs and wishes of those whom he seeks to make his customers. He has put away from him the antiquated idea that the consumer exists for the producer and must be satisfied with what the latter offers him, and instead he acts on the principle that the buyer has a right to have what he wants, if it can be made, and that it is the manufacturer's business to supply it. It is impossible to say how much trade has left England, never, perhaps, to return, owing to obstinate refusal to recognise this not unreasonable principle. The leading firm in a great English textile industry is reported, before experience tardily taught it a painful lesson, to have boasted that it never modified its manufactures, or the mode of placing them in the market, under any circumstances. "Our goods are made in these colours and these lengths," it said, "and those who are not pleased can

go elsewhere." In due time they went elsewhere, and now the problem facing this firm, and many another in like predicament, is how to get these rebellious buyers back.

In Germany it is different. There the buyer's requirements and tastes, not the seller's whims and conservative prejudices, determine what sort of goods are made, and how these goods are placed in the merchant's hands. And the merchant is equally alive to his patron's convenience and his own interests. He does not expect foreigners to be expert in the German language, but addresses them in their own tongues,—often, no doubt, with peculiar variations of his own—adapts his own coinage, weights, measures to theirs, and if letters will not answer their purpose the merchant goes himself or sends some one who is well able to do his business for him. In short, the story of the decline of British exports relatively to those of Germany is a story of opportunities lost or wilfully neglected—mostly the latter.

A striking illustration of the German merchant's consuming zeal in the prosecution of the industrial conquest of the world is afforded by a unique society which has now existed at Stettin for thirty years. Directly the Empire was established the wide-awake merchants of that thriving port drew the conclusion that their chance of fame and fortune had come, and that it would be their own fault if it was allowed to slip by. A Commercial Association was formed for the purpose of promoting local trade, but also for equipping the rising youth of Stettin with such mercantile knowledge as would enable it to go abroad and work in the interests of the town. After undergoing suitable preparation likely young men were despatched to the British Colonies, the United States, and other countries, charged with the mission of furthering the trade of Stettin, by sending home periodical reports and generally touting for business; and towards the cost of outfit and of maintenance until he could settle down each received the sum of £75. The rules of the Association provide, in fact, that "those members who receive a grant shall give a solemn promise, accompanied by grasping the hand of the president, that they will conduct themselves as worthy of the confidence and trust placed in them by the Association, and that they will make every effort to obtain as much information and knowledge as possible, to be employed and utilised to the benefit of the Stettin trade." Since the Commercial Association was formed, more than fifty commercial pioneers of the kind have been sent by Stettin to the great purchasing countries across the ocean, and that the merchants of Stettin are satisfied with the results is conclusively proved by the fact that the enterprising society still lives and carries on its novel work to-day.

Latterly a Colonial School, established by private enterprise, but with State encouragement, has been carried on in Berlin for the purpose of affording special instruction to young men desirous of settling in the German Colonies either as agriculturists, planters, or merchants. Such instruction is given to residential pupils for the small

sum of from £40 to £60 a year, and to non-residential pupils for from £15 to £20 a year. Dare one's mind take so unheard-of a flight as to imagine such an institution being set on foot—at any rate on a popular basis—in England, nursing mother of Colonies though she is?

The Governments, both Imperial and State, are likewise more conscious of the utility of encouraging trade and industry than is the case in England, where the tradition is only now being broken down that a Government should not soil its hands by interference in matters of the kind. The Emperor, as he speeds his ships of war across the seas, is not ashamed to avow that the protection and extension of German trade are a chief concern of the navy. When a great shipping firm launches a new ocean greyhound, a Minister of State will pour champagne over the bows and an imperial telegram of congratulation will reach the invited guests at the luncheon-table. The idea that a German Ambassador is a sort of superior commercial agent is, of course, absurd, yet the fiction had its origin in a fact, which is that German diplomatic representatives abroad are very properly alive to the close connection of national trade and national prosperity, and are not slow to do industry a service when the opportunity occurs. At home the possession by the States interested of the main lines of railway and the existence of a wonderfully efficient postal system are advantages of a very practical kind. The State also shows its concern for the promotion of trade by the construction of inland water-ways, a branch of navigation which in Germany is now seldom touched by private enterprise. The canal connecting the Baltic with the North Sea, opened in 1891, is the greatest State undertaking of the kind yet carried out. Prussia alone has during the past two decades spent many millions of pounds sterling in the construction of new canals and the canalisation of rivers, and projects of the kind at present in hand—including the Rhine and Elbe canal and smaller channels in the South and East of the country—are variously estimated to cost from twenty to thirty millions more. There is also this difference between the canals of Germany and those of this country—that the former are generally navigable by steamers while the latter are not.

But it is her superior system of technical instruction which has chiefly enabled Germany to produce both so well and so cheaply, a large subject too special in character to be treated here in detail. It must suffice to say that the technical colleges and schools and classes which are charged with this important department of popular education cover the entire range of industry and industrial art. For number, variety, and extent of work the agencies for technical instruction which are subsidised by the Government of Saxony would astonish those who still extend to similar agencies in this country a bare sceptical toleration. Saxony knows better. There the Government has no need to stimulate public interest in technical instruction: all it has to do is to set the standard of efficiency and to see that the towns and villages,

to which initiative in the matter is left, combine good judgment with zeal. Nor is the cost of technical instruction at all proportionate to the results attained. Megalomania has been the bane of not a few institutions of the greatest public advantage in England. We are apt to assume, as a matter of course, that large ideas must of necessity be realised on a large and ambitious scale. Prodigious expense is the first consequence and failure often follows quickly after. Germany possesses a multitude of technical colleges and schools of unsurpassed proportions, but most important results are also achieved by the simplest and most inexpensive means—by the humble village class conducted in the winter evening hours by the light of the oil lamp in the low-roofed schoolroom; by the travelling exhibition of samples of skilled handicraft which sets provincial ambitions aglow; by the itinerant teacher who carries a vitalising store of rudimentary technical knowledge from hamlet to hamlet in the sequestered mountain districts.

Even in the larger institutions expense is not allowed to tyrannise over utility. You will never find ornamental figure-heads. The teachers are all severely practical. Not only so, but the very best talent is obtainable—with no suspicion of hunger-wages on either side—on terms which would not go far in England as times and professional expectations are in these days. What would be thought in England of the managers of a large Technical College for the building trades who offered a salary of £210, rising to £310, for the exclusive services of an architect, with university education, to have under his charge the departments for building construction, building materials, architecture, stone-cutting, draughtsmanship, and ornamental writing; or a salary of £175, rising to £260, for an engineer, also university trained, to have charge of the departments for building construction, building materials, mathematics, physics, geometry, statics, surveying, &c., &c.? Such a scale of remuneration of skilled service—which, it need hardly be said, is instanced from real life—would with us excite the indignation of the professional Press, and would prompt jealous class organisations to searching questions in the House of Commons. But in Germany men of the highest competency can be secured in any number for the best of the technical schools at moderate remuneration, because the standard of professional salaries is nowhere high, and also because there is a large and ready market for service of the kind. These facts do not, of course, prove that English professional men are paid beyond their deserts. What they do prove is that technical institutions in Germany enjoy in this respect special and very important advantages.

This is the rival whose energies have in recent years been so successfully exercised in the sphere of commercial enterprise, and these are the methods by which it has fitted itself for its competitive task. England must not expect either that the efforts will be relaxed or that the methods which have been employed to such signal purpose

will be abandoned, unless indeed for others still more effective. While, however, Germany is no longer a force to be neglected, it is also not a force that must of necessity be feared, so long—and the reservation is vital and absolutely binding—as it is encountered with at least equal weapons of skill, determination, and resource.

WILLIAM HARBUTT DAWSON

THE MOUJIK.

THE Russian peasant or *Krestianin*, which is the ancient word for *Christian*, is better known under the name of *moujik*, but the latter is not infrequently used in Russia to describe a boor without manners or education, and is, in that sense, a word of abuse. The learned and liberal author K. D. Kavelin, who strongly advocated the cause of the liberated serfs, recommending that they should be endowed with more land and receive a better education, said that every country had a burning question and an all-absorbing interest. "What is our most prominent, predominant, national interest among a population, differing in origin and in the destiny of many various regions, which have been the component parts of the Russian Empire? This question is eloquently answered by statistics." Eighty per cent. of the Russian population belongs to the peasant class, the other twenty per cent. including the army. Such is the official return, but the number of the *moujiks* must be even greater, because the bulk of the trading classes and artisans who live in towns and the army are of peasant extraction, as is self-evident from their manner of life, their habits, their notions and their family ties.

In other countries the percentage of the rural, *i.e.*, the *producing* agricultural population, is: Sweden, 55 per cent.; France, 51 per cent.; Prussia, 48 per cent.; Denmark, 47 per cent.; Austria, 37 per cent.; Hungary, 32 per cent.; England, 15 per cent. (These figures are supplied by Professor J. E. Janson, who made a special study of the peasant question in Russia.) Kavelin observes that these figures sufficiently characterise the Russian Empire, and if many people call it, half in jest and half in earnest, the *Moujik Empire*, it must be admitted that such an appellation defines Russia according to its true character. To England and other Western countries, where townspeople have played such an important part in history, and where country people are in the background, a similar nickname could certainly not be applied. The centre of Russian life is in the peasantry. The overwhelming majority of this poverty-stricken class, wherever they may go, generally return to their miserable hamlet, with scanty savings. In Europe generally the proletariat classes, which possess no land, form a restless and dangerous portion of the population,

whereas in Russia the masses of the people are the conservative part of the Empire, because with all their penury they own the soil. Hence the wisest policy of the government would be to satisfy the crying wants of this long-suffering, but still law-abiding, although impoverished, majority of the nation, before it becomes honeycombed by socialism and anarchy in self-defence. The idea that it is more to the advantage of the great land-owners that moujiks should be in poverty rather than in affluence, because they then work for lower wages, cannot certainly be elevated to the exalted position of a State principle.

When the serfs were liberated, in theory they were all endowed with land, but in practice the bulk of them are paupers.

The communal system, from which Slavophiles expected wonderful results, has not been a success. The village people generally elected as their elders those men who treated them most freely to *vodka*. Besides, the communes bound the moujiks together, depriving them of initiative and energy. The *arbiters of peace*, whose business it was to settle differences about land and other matters between the peasants and land-owners, were superseded by *zemski-nachalniki*, who now virtually exercise despotic power, which prevents the uncivilised country-folk from learning how to manage their own affairs. The practical question arises, how are the poor moujiks to be extracted from this anomalous position? Their material wants are very small. The means and comforts which would be utter poverty and misery to the working classes of Great Britain and the Continent, would be felicity and affluence to the Russian peasant. It is not for us to enter here into disquisitions about the advantages of small and large holdings of land, as even experts do not agree about the best principle of cultivation in Russia.

For those who have not seen the existence of the Russian peasant it is almost impossible to realise the squalor and destitution of his surroundings. His wretched log-hut with all it contains is certainly not worth ten pounds sterling. The dress consists of a coarse cotton or linen shirt and trousers, rags instead of socks, sandals made of the bark of trees and a sheepskin instead of a coat. All these accoutrements seldom cost more than ten shillings. Boots, waistcoats, and such luxuries belong to those moujiks whose work takes them away from home. In *artels*, where men eat better food in co-operative communities, the food does not cost sixpence a day, but in the villages and hamlets, the expense of living is much lower. Cabbage soup, buck-wheat gruel, meat perhaps a couple of times a week, rye bread (white bread is looked upon in the light of gingerbread), potatoes and cucumbers, when they are very cheap, and sour *Kvass* to drink are the *summum bonum* of their nourishment. Tea and vodka (*i.e.*, bad brandy) are luxuries. Nevertheless drunkenness is the national vice and chronic curse of Russia. The peasants drink *in bouts*, wasting in one day the savings of many weeks. The income from the land is, as a

rule, so meagre that it cannot even procure the mean requirements which have been enumerated. It is not astonishing, therefore, that the agricultural population should seek work in the towns, or wherever it can find employment of any kind.

A few years ago a Ministry of Agriculture was established at St. Petersburg, but the well-being of the peasants does not appear to have improved; perhaps it is partly owing to the recurrence of famine. Professor Mendeleeff recommended protection as a panacea and expressed the opinion that Russia was destined to be a manufacturing, and not an agricultural, country. The Ministry of Finance raised the tariff, and various industrial establishments were organised, mostly with foreign capital. But the moral and material position of the people has not advanced. The congregation of moujiks in manufacturing centres has increased drunkenness and the spread of syphilis, rendering the women and children left behind in the villages even more wretched and destitute than in the days of serfdom. N. Kabloukov, who wrote on "The Conditions of Peasant Work in Russia," appears to expect a better future from the increase of small farmers. The long lists of landed properties put up to auction, or offered for sale, which fill the supplements of all the newspapers, show, however, that the money advanced by land-banks, &c., to agriculturists, has in very many cases led to the ruin of the latter. S. Sharapov in his "Future of Peasant Culture" conveys the idea that mismanagement, too many holidays, laziness and selfishness are the real enemies of agriculture. He calls on the educated classes not to waste their time and ruin their health by living in towns, but to turn their energy and means to the improvement of vast tracts of land which have been neglected by generations of heedless owners to their own detriment and to the impoverishment of the moujiks, whom they should employ and educate in the arts of farming. The author refers on several occasions to the high authority of the late Prince Vasilchikov, a wise and philanthropic nobleman who also appealed to the higher classes of society to teach and guide the moujiks how to alter their primitive and careless treatment of the soil. The labour of the moujiks is not applied in a rational manner to the culture of the land, and 75 per cent. of the work is wasted. He gives the following estimates, based on personal observation:

A family, consisting of a husband, a wife, and two daughters, aged 15 and 8 years, and possessing two allotments of land (say about 20 acres) lets all this land to the village commune for ten roubles, *i.e.*, about twenty-one shillings per annum and seeks work as labourers. During the preceding year, 1879, *i.e.*, the famine year, this family was in very bad circumstances. All four members cultivated their land and employed their spare time by working for hire, but by the end of the year they pawned all they had. They bought 54 poods (a pood=36 lbs.) of flour, and 80 poods of hay, but were not able

to pay their taxes. Their deficit was expressed in the following figures :

	Roubles.
54 poods of flour	54
80 „ hay.....	12
Arrears of taxes.....	8
Debt incurred	30
Sum total.....	104

or in round figures 100 roubles.

The next year, 1880, gave approximately the following figures :

	Roubles.
Wages earned by the whole family	96
Evaluation of spare time.....	25
Difference in the value of food consumed.....	25
Five measures of potatoes, planted for their benefit, gave	12
Presents received, etc., which there was no chance of getting in 1879	10
Sum total.....	168
Taxes to pay Rs. 22, less rent for land Rs. 10 = ...	12
Balance to the good	156

or in round figures Rs. 150.

In one case it was minus a hundred roubles, and in the other it was plus one hundred and fifty.

What does this prove, asks the author? It defines the aggregate work of the moujik, and consequently of the nation, which is systematically wasted in consequence of ignorance, lack of proper implements, etc.

Prince N. Shahovskoi has written an instructive account of the migration of country labourers to distant provinces of the Empire with the object of seeking work. He has also gleaned some information from the statistics collected by the popular author, S. A. Korolenko, whose labours were published by the Department of Agriculture and Rural Industry in 1892. Wherever farming does not furnish the moujik with the means of subsistence and with the possibility of paying taxes he has recourse to other work, mostly of an industrial character. These industries are of three kinds: (1) Rural, (2) Manufacturing, and (3) *Koustarie*, i.e., common hand-made objects. The last category of industrial production obtains especially during the long winters in the Northern regions of Russia, and also during the intervals of time when field-work is not carried on. But the industries, which attract the destitute population to migrate are placed in very different conditions. The emigrants are mostly men,

who, for various reasons, have nothing to do at home during the summer months, when the agricultural peasants are most occupied. On the other hand they return home in winter when there is nothing to do for a country labourer. Some of these temporary emigrants or absentees are artisans, and even skilled workmen, whose presence in the towns is useful and even indispensable. In Southern Russia the large land-owners could not carry on their farming without the assistance of this floating population of labourers. The existence of these birds of passage is frequently very hazardous, because in the event of bad harvests or of numerous applicants for work, they are left out in the cold. This state of things has a pernicious influence, especially on the younger members of the community and on the women, encouraging profligacy and contaminating the homesteads to which they return. According to the demand and supply of labour various unfair and oppressive measures are also resorted to, both by the employers and the workmen, and therefore it is a question of vital importance to protect the interests of both contracting parties. At present the condition of affairs is most lamentable. According to information obtained from the Ministry of Agriculture the daily wage of the labourer, who is fed by the land-owner in the central provinces of Russia during seed-time, is 20—27 copecks, during the mowing season, 33—37, and at harvest time, 45—52 copecks. This is nearly one-half of the average wage for labourers in the South of Russia, viz. :

Government of Tauride : mowing 66, harvest 91.

Land of the Don Cossacks : „ 61, „ 86.

(A copeck, of which 100 go to the rouble, is worth one farthing.)

The constantly-recurring famines urge the moujik to resort still more to migration, which renders his position more precarious than ever.

Apart from natural causes of death, thousands die from contagious fevers or from the inclemency of the weather in the steppes and swamps. Sheer want and starvation bring many more to an untimely end. The childish credulity with which all manner of wild reports about the need of work springing up in various distant localities is accepted by the foolish and barbarous moujiks is almost incredible to Western nations. For instance, a few years ago, the peasants of Central Russia had heard that a canal was to be made at Perekop, which divides the Crimean peninsula from the main land. Numbers of them flocked to that distant place and could scarcely be convinced that there was no canal in construction. To give an idea of the pecuniary means at the disposal of the migratory moujiks, who are not so fortunate as to have earnest-money forwarded to them by their future employers for the journey, we may quote official returns.

In 1891, a gang of workmen numbering 910 went from Kharkov to

Taganrog (say the distance from London to Edinburgh): 260 men had 5 roubles and less; 230 from 5 to 7; 300 from 7 to 10; 90 up to 15; 20 up to 20; 10 men had above 20 roubles (say £2 2s.).

How do the peasants procure this money? By selling any cattle or things they may possess; by raising money from a richer peasant on security of their little plot of land; by pawning any coat or piece of home-made linen, which they may happen to have, and lastly by getting the village priest or other person to lend them a few roubles. After having obtained this money the moujiks frequently have a vague notion where to go. They generally walk, going only some intervening distances by rail or cart. The more advised or experienced labourers return to localities, where they had worked in former years. The *Krimski Viestnik*, or Crimean News, describes the return of some absentees from Tauride, Kherson, and other Southern governments or provinces: "Some forty thousand of these pilgrims are anxious to obtain tickets in order to benefit by the steamer which starts from Ekaterinoslav and ascends the river Dnieper. The deck passengers are so numerous that literally one cannot move. Every corner is occupied by live cargo. It causes a shudder to see more people coming on board and mysteriously stowing themselves away somewhere. There being no room to lie down, people are actually one upon another. The Dnieper Steamboat Company makes most money by the third-class passengers, but treats them worse than cattle. On another steamer passengers are shipped like sheep, being packed one against the other. These human beings are bare-footed, and cannot take the knapsacks off their backs as there is no room to lay them down"

As regards railway accommodation for moujiks going to the Oural, the *Russian Vedomosti*, the most liberal and respectable of Moscow newspapers, gives some object-lessons: "The railways increase in no small degree the sufferings of the emigrants, as fourth class passengers are in no case considered to be people, but commodities for goods' trains, to be transported when convenient for the traffic of the line. The railway cars for emigrants at the Bakmach Station were without seats and almost without windows; doors without proper bolts, which was dangerous during the journey, because in the absence of windows, the doors had to be kept partially open. There were no ladders or other conveniences to get in and out of these railway waggons, and people had to scramble up some six feet. In these trucks 800 men with women and children, luggage and provisions had to find room as well as they could. Each waggon was to carry 70 men, although the inscription informed all whom it concerned: 'to carry 8 horses or 40 men.' The more energetic of the emigrants protested, saying their children might be crushed. But finally the grumbling, groaning, and sighing crowd climbed in and settled down, like herrings in a barrel. The passengers were, however, detained six hours at the station, until night-fall. As to the food of the poor creatures, who could not of

course afford to purchase anything in the refreshment rooms, the less said the better."

As a specimen of the food which is given by the employers, we can refer to the report of the *Zemski Nachalnik*, or chief of the district at Melitopol. "The water for drinking and cooking is taken from a well and poured into a dirty cistern, which contains feathers, bits of wood, &c. It is covered with vegetable growth and exhales an offensive smell. Work begins at sunrise, but the first meal is given at ten o'clock, and consists of a wheaten gruel and bread made of rye and millet. The bread is bad and bitter. At one o'clock there is dinner, consisting of beet-root soup, without cabbage or other greens, rotten potatoes with wheat and tallow. On fast days there is no oil. At six o'clock—dry bread. At nine supper—some dish of wheat or barley. The food is badly cooked and the labourers suffer from internal complaints."

Prince Shahovski is of opinion that the introduction of agricultural machinery has greatly diminished the demand for able-bodied labourers and given work to weaklings and minors. Ignorance and carelessness in the management of machinery, and the lack of competent persons to repair the gear when out of order, is a drawback to the use of this form of skilled labour. Dr. Feziakov of Kherson estimates that the loss of time caused by these migrations may be valued at several millions sterling. The harassing formalities and useless expense in procuring passports, with which every workman is supposed to be equipped, is a vexatious institution, which falls heavily on the destitute moujiks.

It has been suggested, especially by land-owners in Southern Russia, where hands are most needed, that the wholesale, permanent transmigration of moujiks to those regions from provinces where there is no remunerative labour, would be an advantage to all concerned. But this plan has been found wholly impracticable. Various projects have been put forward for protecting the interest of the proprietors and saving the starving population in the more congested and barren portions of the vast Empire, but no useful measures or suitable legislation have as yet been devised to correct and alleviate the dire distress of scores of millions of human beings.

There are other phases of Russian peasant life to which we have not the time or space to refer at present. In most villages there are rich peasants, popularly called *kulake*, i.e. *fists*, who exploit their fellow-moujiks by buying up their land, produce, &c. The *artel* or co-operative system is peculiar to Russia, and in some cases these communities collect sufficient capital to buy tracts of land from the impoverished gentry, or to purchase virgin soil in unexplored regions of the boundless Empire. Rich traders now likewise own estates which belonged to the ruined nobility, who formerly existed on the forced labour of their serfs.

E. A. CAZALET

DISPUTED POINTS IN THE THEORY OF INTERNATIONAL TRADE

Impar congressus Achilli one naturally feels when involved in a contest with the eminent Professor Achille Loria. But even the Homeric hero was not formidable when he could not see the object at which he was striking. On an occasion of this sort, we read,

“Thrice struck Pelides with indignant heart,
Thrice in impassive air he plunged the dart.”¹

The three blows which Professor Achille Loria has recently struck² at an opponent whose position he has not clearly envisaged are similarly ineffective.

I. To begin with the most serious onslaught, intended to be aimed at a position which was defined by the following passage in Sidgwick's *Political Economy*:—³

“Suppose a country (A) so thickly populated that additional agricultural produce could not be obtained from the soil except at a rapidly increasing expense, and suppose that one-third of its actual produce of this kind—say for brevity, its corn—is now consumed by persons engaged in its chief branches of manufactures. Suppose that the country, having been strictly protected, adopts Free Trade, and that consequently the manufactures in question are obtained at half the price from another country (B) in exchange for corn . . . what then are the manufacturing labourers thrown out of work by the change to do? . . . there seems no general ground for assuming that they will all be able to find employment in A, as remunerative as that withdrawn from them . . . No doubt as the cost of production in agriculture may be assumed to increase continuously, a certain amount of additional labour may now be employed in agriculture . . . But if the additional labour is only applicable at a rapidly increasing cost . . . it is theoretically quite possible that a portion of the labourers thrown out of manufacturing employment could not, in the present condition of industry, be employed in A in agriculture so as to yield any surplus above their own consumption.”

This passage, quoted with approbation by the present writer, formed the thesis;⁴ which is represented by Professor Loria as signifying:—

“that, if a country producing corn and manufactured goods and levying a duty on the latter commodities, should adopt free trade, all the operatives of the national industries would be immediately deprived of employment, because the products which hitherto consumers had procured through those industries would now be imported. A small portion of the labour thus set free might find employment in agriculture. But inasmuch as this is subject to the law of

¹ *Iliad*, bk. xxii. Pope's translation.

² *Notes on the Theory of International Trade*, ECONOMIC JOURNAL, vol. xi. p. 86.

³ Book III. ch. v. § 3, first edition.

⁴ See the review of Professor Bastable's *International Trade*, second edition, ECONOMIC JOURNAL, vol. vii. p. 401, and references there given; also the review of the third edition, ECONOMIC JOURNAL, vol. x. p. 389.

diminishing returns, the cost of production of corn would soon grow to such a pitch as to render all further export or production impossible. For this reason but few of the operatives thrown out of employment would be absorbed by agriculture and the whole of the remainder would be permanently deprived of work."

This paraphrase, compared with the original thesis, presents a nice derangement of moods which is calculated to shift the burden of proof. The "would," which Professor Loria attributes to his opponents is not quite consonant with Sidgwick's phrase, "theoretically quite possible," his statement in the immediate context: "This extreme case is doubtless an improbable one."¹ In abstract inquiries of this kind we must carefully distinguish "would commonly" from "might possibly." To give an example *in pari materia* we must not attribute to Mill the doctrine that an improvement in machinery would be injurious to the labouring classes, because he says that "the improvement may be a very profitable one to him [the capitalist] and yet very injurious to the labourers," on a supposition "purely ideal."² A similar caution should be observed in criticising the carefully guarded statement of Sidgwick which was cited, and the parallel statement of Torrens which was referred to.³ "A free foreign trade," says Torrens, "would be the greatest calamity which could befall the country" in a certain peculiar case; but he adds that the case "cannot occur in practice for centuries to come."⁴

At one point, indeed, Professor Loria may seem to grapple with the real issue when he argues:—

"But suppose . . . that the cost of production of the new corn [produced in A in consequence of the free trade] should become so great as to render it advantageous to import corn, or, to put the extreme case, let us suppose right away that an increase to any amount in the production of corn in the given country be impossible. Well, then the result will be that the native manufacturers, sooner than produce corn, will produce goods acceptable to the foreign producers of those manufactures which are in demand among native landowners."⁵

But on reflection it appears that this passage is only explicable on the supposition that the author has conceived the thesis which he has to refute as implying that under ordinary circumstances the operatives would not be permanently thrown out of employment. For surely he would not affirm what Sidgwick denied, that "they will be able to find employment in A as remunerative as that withdrawn from them," under all circumstances, and however unfavourable to manufacturing industry are the conditions of the country A. That is an assumption which would prove too much. If it is true of any country irrespective of its size and complexity, there is no reason why it

¹ *Loc. cit.*, first edition. There are equivalent expressions in the second edition.

² Mill, *Pol. Econ.*, Book I. vi. 2.

³ *ECONOMIC JOURNAL*, vol. vii. *loc. cit.*

⁴ *Production of Wealth*, pp. 279-281.

⁵ *Loc. cit.*, p. 89.

should not be true of a province or district of a country. Mill then must be in error when he says that the diversion of land from maintaining human labourers to feeding cattle in such a country as Ireland could not take place without the removal of a large part of the population by emigration or death.¹ Dispossessed cottiers and crofters would have no grievance, for it would always be open to them without leaving their homes to engage in remunerative manufactures! Surely it will not be questioned that Professor Nicholson is right when he says:—

“The assumptions that labour and capital cannot be exported and can always find an equally advantageous employment in ‘other things’ in case of displacement, though useful as first approximations in economic theory, require considerable modifications before being applied to particular practical cases.”²

Because the reasoning thus narrowed is purely hypothetical, it must not be supposed that it is wholly otiose. The abstract has some relation to the concrete. As Sidgwick says:³

“This extreme case is, doubtless, an improbable one, but it does not seem improbable that under a system of Free Trade, if any important class of producers in one of the trading countries is undersold by similar producers elsewhere, it may be impossible for some time to find employment for all of them at home nearly as remunerative as that in which they were previously engaged.”

The solution of the hypothetical problem assists us to follow the reasoning which Professor Lexis in his impartial discussion of foreign trade has applied to the actual case of modern States committed to long-standing Protectionist regulations.

“Far-reaching disturbances [*tiefreichende umwälzungen* is the more forcible original] of economic relations which are to be expected [on the opening of trade] on Ricardo’s assumptions, may cause such great evil not only for the capitalists but also for the mass of the working population that it must often be preferable to forego an international distribution of products that would be in the abstract [*an sich*] more reasonable.”⁴

Even if the permanent loss of employment attended with wholesale emigration or beggary, such as might occur in Sidgwick’s extreme case, is not to be apprehended in large and complex modern States, it is still too true that by the action of economic forces like that

¹ *Political Economy*, I. vi. 2. The facts and reasons adduced by Mill—*mutatis mutandis*, and irrespective of his peculiar views on “demand for commodities” in contrast to “demand for labour”—confirm the proposition that in large numbers labourers of a country may be plunged in ruin or driven to emigration by the self-interested action of those who own the other requisites of production.

² *Principles of Political Economy*, vol. ii. book iii. ch. xxviii. § 7. The candid and lucid “summary of possible disadvantages of foreign trade to a particular country” from which this passage is quoted, should be studied, together with the context, by optimists of the Bastiat type.

³ *Loc. cit.*, first edition.

⁴ Schönberg’s *Handbuch der Politischen Oekonomie*, band ii. halbband ii. art. xxiv. (Handel), § 66, p. 318 (fourth edition).

which is analysed in the imaginary case, large bodies of workmen might long suffer from loss of employment or reduction of wages in consequence of the removal of long-standing trade restrictions. To cite Professor Lexis again :—

“ Even if, finally, the workmen who have lost their situations [*brottlos gewordenen*] again find employers, the question rises whether as a consequence of the redundant supply of labour they will not have to content themselves with a very much [*übermassig*] depressed wage, and this consequence of foreign competition would deserve to be regarded as an evil even if the diminution of wages were accompanied with an equal increase of the profits of the employers.”¹

“ When it is probable that through the removal of protective tariffs a considerable number of undertakings will be ruined and many workmen plunged into want, it would be better to keep those tariffs so long as such consequences are to be expected from their removal.”²

While agreeing with Professor Lexis in these statements,³ I have no reason to think that I differ from Professor Loria.

It is always satisfactory to be able to account for the difference between one's own conclusions and those of high authorities by showing that the question has been understood differently by the disputants. I hope to obtain this sort of satisfaction in dealing with Professor Bastable's⁴ as well as with Professor Loria's criticisms. As Professor Bastable himself says, “ The sharp contrast of views on this matter appears to arise from a different way of contemplating the fundamental conditions.” I suggest that the difference consists in his taking a more abstract view of the conditions. There are two degrees of abstraction which may usefully be employed in general reasoning about International trade. We may contemplate each nation as a whole, making abstraction of the non-competing groups within it, or we may take account of those internal divisions. It is thus that the astronomer may sometimes calculate the motion of a planet about its axis and the orbits of its satellites, and in other reasonings, with reference to the action of a distant body, may neglect those internal movements and treat the Jovian or the Saturnian system as if it were a weighty particle. In economic science the more abstract methods have hitherto been the more fruitful. We know so little how in any particular case the strains and stresses between the different parts of an economic body will be affected by external forces, that we must often be content with the general reasoning that free exchange tends to increase of production, and therefore to the benefit of the community as a whole, probably, and in the

¹ Schönberg, *ibid.*, § 67, p. 320.

² *Ibid.*, § 76.

³ To avoid misconception, it may be well to add that I repudiate the idea of introducing Protection in order to improve distribution; in this position also, I think, supported by Professor Lexis. Because it is dangerous to abandon Protection, it does not follow that it is desirable to introduce it. Rather, the difficulty of giving up, is one of the strongest arguments against taking to, the factitious stimulus.

⁴ ECONOMIC JOURNAL, vol. xi. p. 226.

absence of any presumption that the benefit of some is likely to be attended with a more than compensating detriment to others. It is in this general reasoning that the ordinary free-trader shows his common sense; it is here that the triumphs of a Bastiat are won.

There would be no objection to Professor Bastable's taking up this ground, and being content with the first and main approximation which postulates the solidarity of interests in a nation, provided that he did not complain of those who, proceeding to a second approximation, take account of the division of interests within a country. He appears to attribute to his opponent an exaggeration of that division. He objects:—

"The possessors of land are put in opposition to 'the workers who could not find employment in agriculture.' Such a line of division is, I believe, entirely inconsistent with the Ricardian theory. Under free competition the labour and capital of a country tend to be so distributed as to secure economic effectiveness. The assumption of mobility removes every barrier to the movement of the industrial factors from one employment to another."¹

In reply to this objection I can only repeat that the social organisation which I contemplated was exactly that which Professor Bastable, after Ricardo, postulates—"a society composed of landlords, capitalists, and labourers."² "The possessors of land" were used as typical in a primitive community of the owners of agents of production other than labour. Professor Loria's working of the problem shows that there need be no difficulty on this score. There is postulated just that degree of mobility which the classical theory assumes, that is, freedom to move across the vertical planes which separate one employment from another, but not freedom to move across the horizontal plane which separates the stratum of the labouring classes from the owners of other industrial factors. Professor Bastable is silent about this latter species of immobility; but he will surely not deny its existence. It is surely sound Ricardian doctrine that the interests of the landlord are not identical with those of the community; that the income of the capitalists may be increased without benefit to the labourers. A few illustrations of the latter proposition from Ricardo's chapter on *Machinery* are germane to the matter in hand. Ricardo says:—

"It follows, if I am right, that the same cause which may increase the net revenue of the country may at the same time render the population redundant, and deteriorate the condition of the labourer" [net revenue or produce as illustrated in the following paragraph being equivalent to the net income of the capitalists].³

[In a case supposed] "although the net produce will not be diminished in value [Ricardian real value, measured by quantity of labour], although its power of producing commodities may be greatly increased, the gross produce will have

¹ *Loc. cit.*

² Professor Bastable's description, accepted by the present writer, *ECONOMIC JOURNAL*, vol. x. p. 390.

³ *Principles*, p. 236, Macculloch's ed.

fallen from a value of £15,000 to a value of £7,500 ; and as the power of supporting a population, and employing labour, depends always on the gross produce of a nation and not its net produce, population will become redundant, and the situation of the labouring classes will be that of distress and poverty.”¹

While stating the postulates I have indicated the proof of the theorem under consideration. For it is a commonplace that the removal of a prohibitive tariff is analogous to the improvement of a machine.² Accordingly, Ricardo's general principles are valid to prove the possibility that in consequence of an improvement in the mechanism of foreign trade “population will [may] become redundant and the situation of the labouring classes will [may] be that of distress and poverty.” The fundamental premiss on which the reasoning rests is the fact that labourers and capitalist-employers form “non-competing groups,” exchanging with each other services for finished products in a quasi-international trade. There is a great gulf fixed between the groups, so that those who would pass from the more to the less favoured class cannot do so freely. The country to which as a first approximation the free trader legitimately ascribes solidarity, proves on a closer view to be not a continent, but an archipelago intersected with gulfs more or less impassable.³

Considering the case before us, let us break up A, the country which adopts Free Trade, into its constituent islands. Let that which is occupied by the working-class be called a ; and, as we are not here much concerned with the gulfs which separate the other interests, let us lump the rest of the archipelago under the designation a —comprising capitalist-entrepreneurs, possessors of land, owners of shares in productive enterprises and all manner of *rentiers*. We are to conceive a as consisting of two parts connected say by an isthmus : a_1 , occupied by the labourers employed in agriculture, a_2 , occupied by labourers employed in non-agricultural manufactures. On the opening of the trade the occupants of a will be benefited by the increase of the foreign supply, for the most part, and excepting the owners of capital fixed in manufactures which are rivalled by the foreigner. We might designate the latter class of interests by a_2 , the rest of a as a_1 . On the opening of the trade the labourers in a_1 will at first and for a short period be benefited by the increased demand for agricultural produce exportable in exchange for foreign manufactures. The occupants of a_2 will be damnified by foreign competition. Part of this detriment will ultimately redound by way of competition to the occupants of a_1 . Whether the gain will preponderate over the loss, when both are diffused through a as a whole, in the absence of exact data cannot always be determined

¹ *Principles*, p. 237, Macculloch's ed.

² The argument is *a fortiori* in so far as the introduction of machinery is usually gradual (Ricardo, *loc. cit.* Cp. Nicholson, *Machinery*, p. 23 *et seq.*).

³ This separation of interests is well exhibited by Henry George in the earlier part of his *Free Trade and Protection*. I repudiate his practical conclusions.

in each particular instance. We have often to be content, in the absence of evidence to the contrary, with the general presumption that the gain to A as a whole will also in the long run prove an advantage to a as a part. But the possibility of the contrary is to be admitted.

Against this admission Professor Bastable argues thus —

"If the returns from agriculture diminish very rapidly as new labour is applied, the disadvantage under which manufacturers labour [in consequence of the opening of foreign trade] will be removed by the increased cost of agricultural products, which will become unsuitable for export, until at length the situation will be reversed, and the country will export manufactures and import food, &c."¹

But why should the cost of agricultural products increase beyond the point at which it just pays entrepreneurs in a to exchange agricultural products for the manufactures of the foreign country B? And what reason is there for thinking that this point is so high that the cost of agricultural produce as compared with that of manufactured articles will be as great as it was in A before the opening of the trade? If, indeed, the occupants of a could pass at pleasure into a , if they could become landowners, or shareholders, or fundholders on a large scale, then no doubt while they were not satisfied with food and other home-grown necessities there could not be an effective demand for foreign luxuries. That would be the state of things, as I before admitted, if, in Ricardo's phrase, "we lived in one of Mr. Owen's parallelograms."² But on the ordinary Ricardian assumptions there is no reason why the capitalist and landowner class should not have an effective demand for foreign manufactures.³ To affirm that agricultural products will become so costly as to afford no profit to exporters is to affirm that the part of A (a_1), which is not affected by foreign competition, will have derived no advantage from the opening of the trade, and to affirm that a "nation" (or "non-competing group") derives no advantages from a removal of international barriers unattended by foreign competition, is to deny a first principle which is at the foundation of the argument for Free Trade.

It is difficult to understand what difficulty Professor Bastable can see in this reasoning.⁴ The explanation is not to be found in an *ignoratio*

¹ ECONOMIC JOURNAL, vol. xi. *loc. cit.*, p. 227.

² ECONOMIC JOURNAL, 1900, p. 390.

³ The discussion is resumed under the next head, below, p. 589.

⁴ But for Professor Bastable's express and repeated repudiation of Sidgwick's doctrine, his agreement therewith might have been presumed from his own writings: in particular the context of the passage in *International Trade* (3rd. ed., p. 106), in which, referring to the "influence of foreign trade," he says: "in the theory of the subject it is necessary to recognise the possible injury which may be inflicted on the labourers of a community," and the context of the passage in the *Commerce of Nations* (p. 20) in which, referring to the "tacit assumption that individual and national gain are identical," he says: "There can be no doubt that in such cases a divergence of interest is possible."

elenchi; for Professor Bastable well discerns that the "possibility in abstract theory"¹ of the result described is what forms the issue.

II. Another explanation which I before suggested I am glad to have to retract. I had suspected that the paradoxical conclusion was due to some misconception of the principle of comparative cost which had been put in the premisses. I thought that my opponent saw only one side of truth's shield, but I must now admit that he sees both sides clearly. He now distinguishes "the comparative costs which would exist at the margin on the hypothesis that each country is isolated" and "the actual marginal cost of production of the articles under the readjusting influence of foreign trade." If the latter meaning be taken, he, "of course," he says, accepts my view that there will be identity of comparative costs. And, of course, that was my meaning; as is evident from the following passage relating to a trade between two countries, P and Q, such that P both produces corn and imports it from Q, and Q both produces flax and imports it from P.

"In order that the trade should begin there certainly must be a difference in the comparative costs of corn and flax in the two countries. But as P goes on increasing her production of flax and Q her production of corn, there will be reached theoretically a point at which the cost of producing flax is so great that it would cease to pay to produce flax rather than corn in P, and likewise corn rather than flax in Q."²

It would be difficult to make the matter clearer without mathematical illustration; which was also given.³

To have suspected some misconception of the doctrine of comparative cost may be the more excusable in that, when the doctrine is rightly conceived, it is hard to see how it helps Professor Bastable⁴ in his contention above discussed. All that the doctrine of comparative cost can tell us is that A will obtain its manufactures on better terms, or at least not on worse terms, than before the opening of the trade. It does not follow from the general theory of comparative cost that in the case supposed "the inevitable result will be a rise in the comparative cost of agricultural products" to the limit at which the import of manufactures would become unprofitable—the limit set by the initial cost of production. The result will depend on particular circumstances about which we have commonly no specific information. Supposing that a large body of workmen (our a_2) are thrown out of employment by the opening of the trade and that only a small amount of food is allowed to them by the charity of the favoured classes (a_1), why should "the actual marginal cost of production of the articles under the readjusting influence of foreign trade,"⁵ to use Professor Bastable's unequivocal phraseology, be equal to "the comparative cost which would exist at the margin on the hypothesis that each country is isolated"?

¹ ECONOMIC JOURNAL, 1901, p. 226.

² ECONOMIC JOURNAL, vol. x. p. 391.

³ *Ibid.*, note 1 and references.

⁴ Bastable, ECONOMIC JOURNAL, vol. xi. *loc. cit.*, p. 227.

⁵ *Loc. cit.*, p. 229.

And why should the trade become unprofitable and cease? If, as Professor Loria well suggests, we suppose that an increase of agricultural production is impossible beyond a certain point, then indeed agricultural products will not be exported so long as it is postulated that all classes should consume as large an amount of agricultural produce as before. But why should it be assumed that the working classes should live as well as before? The capitalist, like Talleyrand, will "not see the necessity." As Ricardo says with almost brutal clearness, "if the net income [the income of the capitalist] be not diminished, of what importance is it to the capitalist whether the gross income [which supports the rest of the population] be of the value of £3,000, of £10,000, or £15,000"?¹

With reference to the doctrine of comparative cost it is satisfactory to find myself in complete agreement with my other eminent critic, Professor Loria. He puts a case of two countries, A and B, in which before the opening of the trade, ten days work will produce:

In A 10 measures of corn and 10 of linen
 In B 10 measures of corn and 15 of linen;

and he argues in effect as follows: If, after the opening of the trade "in consequence of A's increasing production of corn, the cost of the latter rises till we get, 10 measures of corn in A cost 15 days' work," while the cost of linen remains in both countries what it was before the opening of the trade, then the trade will cease and B will have the advantage in producing corn rather than importing it. But *quis negavit*? In an article referred to in one of the reviews with which Professor Loria thinks he disagrees, I restate the classical and indisputable theory that the point of equilibrium in international exchange must lie within a limit formed by the condition that each country may obtain the commodities she imports "cheaper with than she could without the trade." In the review² I especially exempt from the generalisation that "the difference in the costs of production disappears at the point of equilibrium" the case put by Professor Loria, where the cost of the commodities on one side—"manufactures" in my example, in his, "linen"—is supposed constant. The identity of the marginal costs of production is affirmed only in the case "where the costs of both commodities are supposed to vary with the quantity"—such a case as is presented when, in place of Professor Loria's "linen" with a fixed cost of production, we restore the "flax"³ which I had instanced with its variable margin of cultivation. Professor Loria says nothing about this case.

¹ *Principles*, ch. xxxi.

² *ECONOMIC JOURNAL*, vol. iv. p. 425 (referred to in the impugned review, *Ibid.*, vii, p. 382, note). The statement given in the context is more general than the principle of comparative costs, so as to cover the case distinguished by Professor Bastable (*ECONOMIC JOURNAL*, 1901), in which the cost of producing at home the article which is imported, being infinite, does not afford a serviceable limit.

³ In the passage quoted above, p. 589.

III. A third blow is inflicted on the impassive air when my redoubtable adversary attacks the question whether, on the classical supposition of constant costs of production, and cost of transport being abstracted, it is possible that a commodity could be both produced and imported by one and the same country.¹ Professor Loria puts the case of two countries, A and B, dealing in three commodities, cloth, corn, and iron, of which the costs of production in each country are in days' labour, per 100 measures of the respective articles.

			Corn.	Cloth.	Iron.
A	...	...	100	90	90
B	...	...	100	120	95

He expends labour in showing that "it will not be possible to continue to produce iron in both countries, except on the condition that the international value of corn in relation to cloth should be fixed at the value: 100 measures of cloth = 95 measures of corn." He proves, for example, that if the international exchange gets fixed at the rate of 100 measures of cloth = 110 measures of corn, or again, at 100 measures of cloth = 92 measures of corn, in short, at any rate except that particular one, iron could not continue to be produced in both countries. Now, of course, as the essential attribute and peculiar beauty of Mangoldt's conception of a commodity common to both countries consists in its representing palpably² by the difference of its real cost in the two countries, that somewhat intangible relation which governs international exchange, viz. the relative value of the produce of a unit of productive force in each country, there can be no question but that if iron in the case supposed is a common quantity, .9 unit-of-productive-force in A, must be equivalent .95 unit-of-productive-force in B; and accordingly on the international market 100 measures of cloth, which require for their production 90 units of A's productive force must exchange for as many measures of corn as are produced by 95 units of B's productive force, that is 95 measures of corn. *Cadit quæstio.*

If it is suggested that the conditions presupposed by the phenomenon could only be realised by a rare coincidence, the rejoinder is that in the case of three commodities it was admitted that "an actual commodity subserving this purpose [that of a common commodity as standard] is not always to be found . . . an actual standard would be forthcoming on one hypothesis, namely, that the value of trade is split up into an indefinitely large number of items with every variety of cost of production."³ How far the concrete case of sundry commodities with divers qualities falls short of that extreme hypothesis is not worth disputing. But it may be not irrelevant to remark with

¹ ECONOMIC JOURNAL, vol. xi., p. 85.

² See ECONOMIC JOURNAL, vol. iv. p. 623, foot, and the context.

³ ECONOMIC JOURNAL, vol. iv. p. 634, par. 2.

respect to even the abstract case of three (and *a fortiori* the concrete case of many) variables; that the probability of the requisite conditions being fulfilled is not, as it seems to be at first sight, analogous to the probability that a point taken at random on a finite line¹ should coincide with one of three (or more) given points, but rather similar to the probability that, if three or more heavy particles are placed at given points on a finite line, the centre of gravity of the system should coincide with one of the points. This coincidence cannot be regarded as infinitely improbable; it becomes very probable in the not very improbable case of the central mass greatly preponderating.

If, indeed, Professor Loria means that international trade, supposing the conditions to admit of its being set up, could not be maintained at such a rate as to allow of a common commodity, then the suggestion of an *ignoratio elenchi* must be retracted.² But doubtless he will have reflected that quite possibly one country may not be able to pay, without overpaying, for the corn or cloth which it imports except by exporting a part, and no more than a part, of the iron

¹ Consider the illustration given at p. 631 of ECONOMIC JOURNAL, vol. iv.

² The last three paragraphs may be illustrated by a fuller consideration of Professor Loria's examples

The given costs of production in "days' work" for every commodity in each country may be regarded as *prices* in a money of the Ricardian type, such that a unit thereof is produced by a constant "quantity of labour." The prices in these standard moneys, per unit, or "measure," of each commodity, before the opening of the trade are as follows:—

		Corn.			Cloth.			Iron.	
A	...	1	...	...	·9	...	...	·9	
B	...	1	...	...	1·2	...	...	·95	

Knowing these prices, if we also know what commodities will be produced in each country after the trade has been opened, we can at once write down the prices on the international market in terms of that characteristic on which all the other variables in the problem may be regarded as depending, the ratio between the products of a unit of productive force in each country, or, what comes to the same, the relative value of the standard moneys of the two countries. Let us call this regulating ratio ρ , signifying that a unit of A's standard money is equivalent on the international market to ρ times a unit of B's standard money. Then, as cloth must continue to be produced by A and corn by B (which, if not evident, may be proved by arranging the logarithms of the respective costs of production, as suggested ECONOMIC JOURNAL, IV., p. 631), the prices of corn and cloth after the opening of the trade will be as shown in the following statement:—

		Corn.			Cloth.			Iron.	
A	...	$\frac{1}{\rho} \times 1$	...	...	·9	...	...	$\frac{1}{\rho} \times \cdot 95$ (·9)	
B	...	1	...	...	$\rho \times 1$	...	...	·95 ($\rho \times \cdot 9$)	

The prices in iron will be either those which are not bracketed, or the bracketed figures, according as iron is, or is not, produced by B after the

demand by the other country. No presumption is raised against the arrangement by the doctrine of comparative cost or any other peculiarity of international trade. "The natural objection that there is no profit to be made by this export [of a common commodity like our

opening of the trade. At the limit between those two cases when iron is produced in B, but not in sufficient quantity to supply A's demand, both formulæ for the price of iron hold good, ρ being in this case $= .95 \div .9$.

To further consider this intermediate case, let us make some assumption as to the laws of demand, and with Mangoldt adopt that simple and fairly typical form according to which the amount demanded of each commodity is in inverse proportion to its cost, or price in standard money. This law of demand will be realised if for each commodity we suppose the total value (in standard money) of the amount demanded at each price to remain constant. This assumption has the further advantage of simply satisfying a condition required by the wooden hypothesis of constant costs of production—namely, that the total aggregate of units of production ("days' work" in our example") for each country should be constant (see *ECONOMIC JOURNAL*, vol. vii. p. 399, note). Let the constant total values for each of the countries and commodities in our example be as follows:—

		Corn.		Cloth.		Iron.
A	...	V_1	...	V_2	...	V_3
B	...	W_1	...	W_2	...	W_3

The characteristic, ρ , is connected with the coefficients by the condition that the total value of B's imports reckoned in B's standard money must be equal to ρ times the total value of A's imports reckoned in A's standard money. This equation helps us to estimate the probability of the event under consideration, the production and importation of iron by one and the same country. That event is one of four mutually exclusive cases, of which one is certain to occur. The remaining three cases are, that either (1) A imports, but does not produce, iron; or (2) B imports, but does not produce, iron; or (3) neither A nor B imports iron, each satisfying her own demand for it by her own production. In order that case (1) may be possible, ρ must be greater than $\frac{95}{90}$, and $\rho(V_1 + V_3)$ (the imports of A expressed in the money of B) $= W_2$ (the

imports of B valued in her own money). Therefore, if $\frac{95}{90}(V_1 + V_3)$ is greater than W_2 , $\rho(V_1 + V_3)$ is still greater than W_2 , and the equation cannot be satisfied. In case (2) ρ must be less than $\frac{95}{90}$, and $\rho V_1 = (W_2 + W_3)$. Therefore, if $\frac{95}{90}V_1$ is less, ρV_1 is still less, than $(W_2 + W_3)$, and the equation cannot be satisfied. In case (3) $\frac{95}{90}V_1 = W_2$; for otherwise it would be the interest of one or other country to import iron. The fourth case, the production and importation of iron by one and the same country, must be the actual one, if none of the other three cases are possible—that is, if both W_2 is less than $\frac{19}{18}(V_1 + V_3)$ and

$\frac{19}{18}V_1$ is less than $(W_2 + W_3)$, while $19V_1$ is not equal to $18W_2$. That of four quantities, V_1 , W_2 , V_3 , W_3 , about which we know nothing—except perhaps that they are not likely to be very unequal—nineteen-eightieths of the

iron] is met by reference to the consideration that no extra profit is required, since cost of carriage being nil, producers in B [the country exporting the common commodity] are content with the profit of their home market."

first should be less than the sum of the second and third, and the second should be less than nineteen-eightieths of the sum of the first and third, while nineteen times the first is not equal to eighteen times the second, cannot be regarded as a very extraordinary occurrence. Indeed, it may seem to be more probable than not. The improbability of the corresponding condition in the case of more than three commodities must be even less (*cf.* above, p. 591 last par.).

To observe the working of the arrangement let us take round numbers where convenient, and restate the total values for each country as follows :—

		Corn.			Cloth.			Iron.
A	...	1350	...	...	V_2	...	...	1000
B	...	W_1	...	...	1900	...	...	1000

Such being the conditions of supply and demand, it will be impossible that all the iron required by both countries should be produced by one of them since both 1900 is less than $\frac{95}{90}(1350 + 1000)$ and $\frac{95}{90}1350$ is less than $(1900 + 1000)$. Nor

can each be satisfied with its own production of iron, since $\frac{95}{90}1350$ is not equal to 1900. Therefore, one country must import *part* of the iron which it demands. Let z be the amount imported by A, it being understood that, if z prove to be a *negative* quantity, it will denote the amount of iron *exported* by A. Then, as $\rho = \frac{95}{90}$ we have $\frac{95}{90}(1350 + \cdot 9z) = 1900$. Whence $z = 500$. Accordingly, A will import iron to the value of 450 in her standard money—nearly half the quantity which she consumes. The reader may satisfy himself as to the stability of the arrangement by making trial of a rate-of-exchange deviating from $\frac{95}{90}$, *e.g.* $\frac{96}{90}$ or $\frac{94}{90}$ (or more generally $\frac{95}{90} \pm \Delta\rho$). At $\frac{96}{90}$, for example, as the price of iron if produced in A would be in A's standard money, $\cdot 9$, whereas on the international market iron is to be obtained at the price (in the same money) $\frac{90}{96} \cdot 95 = \frac{95}{96} \times \cdot 9$, A will import rather than produce iron. The demand, then, of A on the international market is $(1350 + 1000)$ in A's standard money; that is, in B's standard $\frac{96}{90}(1350 + 1000)$, or 2506·6. With this demand is to be equated B's demand of imports from A reckoned in the same money as that of B. Now this demand is 1900. In this commerce, then, the "fault of the Dutch" is committed by A, who gives 1900 and asks for 2506·6. If A, lowering her terms, offers 90 of her standard money for 94 instead of 96 measures of corn produced by B, then the balance of trade will incline the other way. A offers exports amounting to $(1900 + 1000)$, reckoned in B's standard money, B offers in the same denomination $\frac{94}{90}1350$. Thus the arrangement that $\rho = \frac{95}{90}$, and accordingly that A imports nearly half her iron, is one of stable equilibrium. From what has been said, it is evident that the conditions of stability would still subsist even though the values of the V 's and W 's were widely different. V_3 , for instance, might be only just above 450, W_3 might be zero, and either of them as

These words are quoted from the passage in which Professor Bastable, very handsomely retracts¹ an inadvertent dictum on the point which has just been considered. The mistake was trifling, but the candour was great, and worthy of a follower of Ricardo—Ricardo who, on a question cognate to the present controversy, did not hesitate to confess that he had been mistaken in thinking that the improvement of machinery must prove beneficial to the labouring classes.² The best will occasionally err; it is not the making a mistake, but the sticking to it that is incompatible with greatness.

F. Y. EDGEWORTH

THE CENSUS OF CANADA.

THE results of the Fourth Census of the Dominion of Canada have been a source of disappointment throughout the country. The increase of the population does not correspond with the popular estimates of the country's prosperity. All the signs seemed to indicate progress; and responsible statesmen ventured to prophesy a population of six millions at least. Trade, both foreign and domestic, had been increasing by leaps and bounds; immigration had increased; the West was being settled and land was being taken up; new industries had come into existence and new resources had been discovered and partially developed; the exodus to the United States was at least checked, and no longer so depressing a phenomenon in our industrial life. With all these many and infallible signs, even statesmen, certainly the general public, might be excused if they counted with confidence on what is here naturally regarded as the surest sign of national progress, viz., a great increase of population. It is true that no exact estimate could be made, for the material for making such an estimate is wanting. We have no national system of vital statistics. The registration of births and deaths is within the sphere of the Provinces, and is performed in the most perfunctory way. While statistics of immigration are collected we have no means of knowing how many of these dearly bought strangers stay with us, and how many of them have, after a short time, joined the exodus of our own people. The estimates of population used for fiscal purposes, of debt, taxation, and trade *per capita*, are based on the rate of increase exhibited in the Census of 1891; and are therefore formal. Nevertheless there was a general impression that population, like trade and industry, was increasing and had increased; and the national pride received a great

large as you please, V_1 and W_2 remaining the same. Also V_1 and W_2 have a considerable range of possible values. So little is Professor Loria's neat instance at variance with Mangoldt's just conception.

¹ In the third edition of his *International Trade*. (Appendix B.)

² In the third edition of his *Principles* (ch. xxxi.)

blow when it was ascertained that the rate of increase was less than in 1891.

The newspapers have been fertile in explanations, and most of the explanations have been attempts to explain away the unwelcome facts. We have been told by the Liberal papers that the returns for 1891 were padded to justify the National Policy of protection; and the Conservatives have retorted that a Government depending on the French vote issued instructions to the enumerators to favour the French at the expense of the English. Others assert that the policy of protection was such a blight that the population declined in the first half of the decade to such an extent that the years of prosperity and free trade have not been sufficient to remove the traces; while *per contra* it is asserted that the departure from the national policy, slight as it has been, is the root of the evil. Not one of these explanations has been regarded as conclusive, for what was wanted was an explanation that explained away.

The facts are serious enough. We have lost not only all the immigrants, who have cost us a couple of millions of dollars and more in the decade, but as well half of what is regarded as our natural rate of increase. What the "natural" rate of increase is, or how the figures are reached, no one appears to be able to explain, in the absence of vital statistics; but it is assumed that the population should increase twenty per cent. in the decade. The increase of the Dominion has never reached that figure. It was eighteen per cent. in 1881 and eleven per cent. in 1891, and in 1901 it is nine per cent. Whatever the justification for the expression there is no doubt that we are losing largely of our own, for many of the immigrants remain and therefore a proportionally larger number of native Canadians leave. And the probability is that the actual population has been over-estimated rather than under-estimated. There may have been accidental omissions on the part of the enumerators, but the system of modified payment by results does not suggest an under-estimate of population. Canada has adopted the *de jure* system which does not conduce to accuracy, and may, and actually does, lead to the counting in of Canadians resident in the United States.

The explanation, if explanation it may be called, is, that we have too soon forgotten the so-called exodus, and have fooled ourselves into the belief that it has ceased. It is true that during the last two or three years Canada has come to exercise a greater attraction over her young people. The exodus, as it used to be called, was not due to the existence of any malign influence at home or abroad. So far as the mobility of labour is concerned Canada and the United States could, and may still be, regarded as one country. Indeed it has always been easier to go to Boston or New York from the Maritime Provinces than to Toronto or Montreal, and it certainly felt more natural. The Alien Labour Laws of the United States had little effect on the movement of young people looking for work. The exodus was the natural

result of the superior attractiveness of farming, and industry generally, in the United States. To admit that there was this attraction, is not to deny the value of the immense resources of Canada. These are not being discovered to-day for the first time. They have long been known, but they could not be exploited so long as other and better travelled roads to wealth were open. The notion of intrinsic value is as little applicable to natural resources as to developed products.

During the last few years, however, a change has been going on. Capital and labour are coming into Canada from the United States because the opportunities in the States relatively to those in Canada are not so good as they were. We are consequently hearing less about the exodus and more about the influx of American capital and labour. The exodus has not ceased, and perhaps never will cease. Hitherto the migration of labour has been all in one direction: hereafter there will be a healthy interchange. There will always be a movement of the young and the ambitious to the centres of population. What has ceased, and will never be renewed, is the expatriation of Canadians to take up land in the United States. "Land is coming to be land on this continent" is a common statement in America to-day; and Canada holds the sole reserve, and land seekers are being forced to come to Canada to-day. It may be a long time before the manufacturing industries of the United States cease to exercise a compelling attraction on Canadian labour, but as industry develops at home we may expect to find the exodus from purely economic causes decrease in importance.

To what extent the exodus has been checked cannot be determined till fuller information is afforded by the Censuses of both countries. It is, however, matter of general observation that our young people are going to our own West rather than to the States. From the Maritime Provinces which have been drained in past decades perhaps as many go to British Columbia, the Yukon, and the North-West Territories as to the south. The change in the direction of migration has come under my own observation. Probably no class in the community shows anything like the degree of mobility displayed by the graduates of our colleges. Having made the first move, they are ready to make the second. Ten years ago the graduates of the University of New Brunswick, almost in direct proportion to their energy and ability, naturally sought careers in the United States. To-day they are much more likely to go West. The graduates who become clergymen are perhaps the only exceptions. But if the lawyers, the teachers, the engineers of whom the maritime colleges turn out larger numbers than can find employment within the Provinces must leave, it is certainly true to say that they now prefer the Canadian West to the United States. The exodus was purely an economic movement, and the direction changes as industrial conditions change. It has been in the past to a very large extent a part of the drift of the rural population to the towns.

This drift to the cities is observable also within Canada. For
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various reasons less labour is required in the farming districts, and the towns continue to grow rapidly at the expense of the country districts, or, perhaps to put it more accurately, to absorb the floating population of the country. This occurs in all the Provinces, except perhaps the Western, where the towns are distributing centres only. Nearly all the increase of the population of Nova Scotia is accounted for by the growth of Sydney (Cape Breton) and Halifax; and a few towns in New Brunswick have increased as much as the whole Province. While the little province of Prince Edward Island shows unfortunately an absolute decrease from 109,078 to 103,258, or 5 per cent., the capital Charlottetown shows an increase of 6 per cent. In Quebec and Ontario half a dozen towns between them account for the whole increase of the two Provinces; and taking the Dominion as a whole we find that the increase of the larger towns accounts for half of the increase in the Dominion. One considerable town, Kingston, alone shows any falling off. The fact is that Canada which was once, on the strength of a misunderstanding of what Voltaire wrote, reputed to be a few acres of snow, and afterwards was spoken of as the backwoods, and later as a prairie, is now becoming something of a manufacturing country. Here and there, at various centres round Montreal and Toronto, in Cape Breton and at Sault Ste. Marie in the "New Ontario," industries are being built up, very often by American capital, which may at no distant date necessitate a modification of the epithet appropriated to the description of Canada's productive capacities.

The population of the various provinces in 1891 and 1901 is as follows:—

	1891.	1901.
Canada	4,833,239	5,338,883
British Columbia	98,173	190,000
Manitoba	152,506	246,464
New Brunswick	321,263	331,093
Nova Scotia	450,396	459,116
Ontario	2,114,321	2,167,978
Quebec	1,488,535	1,620,974
Prince Edward Island.....	109,078	103,258
North-West Territories	66,799	145,000

These increases, small as they are, do not distribute themselves evenly over the several provinces. As was said above, the increase is to a large extent an urban increase, and there are almost as many districts showing a decrease, as there are showing an increase. In the West alone do all the districts show an increase. All the seven districts of Manitoba show increase. In the East all the five districts of Prince Edward Island show decreases. Ontario and Nova Scotia have more districts declining than advancing in population. Nova Scotia has seven districts which have gained to ten which have lost; and Ontario thirty-five increases to fifty-four decreases. New Brunswick and

Quebec stand in the middle but have more growing than declining districts: eight increases and five decreases in New Brunswick and forty-four increases and twenty decreases and one stationary in Quebec. For the Dominion as a whole, and in so far as details are given in the Census Bulletin, there have been increases in one hundred and one census districts, and decreases in ninety-four. Careful and detailed study of the various census districts should give valuable data regarding economic conditions throughout the Dominion.

The returns from Nova Scotia and Ontario are viewed with the greatest disappointment because more was expected. Prince Edward Island shows an absolute decrease, which is all the more regrettable that it is the first instance since Confederation; but Prince Edward Island is small. New Brunswick shows a slight but gratifying increase. At last Census it had a stationary population, and no Province has been drained by the exodus as New Brunswick has. The increase is mainly in the French counties of the Province, partly by immigration from Quebec; but whatever its origin the increase is gratifying. The result in Nova Scotia may not have been unexpected there, but outside the Province we have heard so much of the industrial resources of Cape Breton and of the great steel industry at Sydney that a large increase of population was expected. There has been such an increase in Cape Breton, but partly at the expense of other districts in the Province, which has redistributed rather than increased its population. The older districts of Ontario seem, for the time at least, to have reached the limit of their growth. The cities and the orchard districts of the Niagara peninsula show increases, but were it not for the increase shown by what is called the New Ontario—that enormous tract of territory stretching along the north of the Lakes almost to the confines of the city of Winnipeg—Ontario would make a very poor showing. It has been drained not only by the exodus to the United States but also by the migration to Manitoba and the North-West Territories, which have grown, and will continue to grow, largely at the expense of Ontario. The older districts have suffered also by the migration to the New Ontario, which is developing as rapidly perhaps as the prairie provinces.

The best that can be said of Quebec is that it is the least unsatisfactory of the older Provinces. The notion that there was a conspiracy to aggrandise Quebec at the expense of the English Provinces is ridiculous in view of the fact that Quebec has not maintained its old rate of increase, and can be regarded as having done well simply because the other provinces have done so ill. The increase has been chiefly in Montreal and the surrounding industrial districts. The purely rural districts have not grown much. The much-spoken of schemes of repatriation have not, apparently, had much success. The thousands who have been returning to take up land in the district round Lake St. John and elsewhere have not returned and are not represented in the Census. The manufacturing districts alone show substantial increases, and the

advocates of protection are entitled to all the credit they claim for nursing the infant industries until they were strong enough to depopulate the farming districts.

The information afforded by the First Bulletin, which is all yet issued, is limited to population, families, and dwellings, and does not therefore provide much information regarding conditions. But certain conclusions may be drawn.

There has been a good deal of discussion at gatherings of the clergy regarding the declining birth-rate, particularly of Ontario. Without statistics of the ages of the people one cannot go very far, because age distribution is perhaps the most important factor in determining birth-rate; but from the ratio of families to population one may gather some relative conclusions. The number of persons to a family, which is a very different thing from the birth-rate, however, as the lamentable infant mortality in Quebec shows, is declining all over Canada; except in the Western provinces, where the increase of the family in the returns signifies not a higher birth-rate so much as an influx of married settlers and the success of the pioneers. There is a fiction accepted all over Canada, and believed in elsewhere, that the average family in Quebec is considerably larger than it is elsewhere in Canada. But the remarkable birth-rate is accompanied by an equally remarkable death-rate, and the infant mortality in the Province of Quebec is as great a scandal as the slight decrease of the birth-rate in other places. I have shown elsewhere that instead of the Quebec family being much larger it was actually less than the Canadian average till 1891, when it exceeded the average but did not head the list.¹ In the present Census it again exceeds the average but is not yet the largest in the Dominion; but at the same time it shows a decrease on the figures of 1891 (1891, 5.5: 1901, 5.3). To what this decline is due is not evident from the figures available. In the Maritime Provinces it is probably due not to a decreasing birth-rate and to preventive checks, but to the migration during the last decades of the younger people. This however can be shown in detail only after the publication of the age tables.

Ontario certainly shows the smallest average family, but the decrease is not more marked than it is in the other provinces. How far it is due to the migration of the young men and women cannot yet be determined, but in any case there appears to be little reason for the clerical outcry that the race in Ontario is deteriorating because of Neo-Malthusian practices. A family of 4.8 is still a family of considerable size; and it is always to be remembered that the average family is simply the proportion of householders or families to the total population—a proportion which, whether large or small, must be interpreted by conditions.

The following table gives the number of families and dwellings, and their ratio to the population of the Dominion and the Provinces, in 1891 and 1901.

¹ *Annals of the American Academy*, August, 1896.

	Number of Families.		Number of Persons to Family.		Number of Dwellings.		Number of Persons to a Dwelling.	
	1891.	1901.	1891.	1901.	1891.	1901.	1891.	1901.
Canada.....	921,643	1,043,294	5.2	5.1	877,586	1,006,652	5.6	5.3
B. C.....	20,718	39,000	4.7	5.0	20,016	38,000	4.9	5.0
Man.....	31,786	49,102	4.8	5.0	30,790	48,415	5.2	5.0
N. B.	58,462	62,700	5.5	5.2	54,718	58,227	5.9	5.6
N. S.....	83,733	89,106	5.4	5.1	79,102	85,032	5.7	5.4
Ont.	414,798	451,839	5.1	4.8	406,948	442,625	5.2	4.9
P. E. I.....	18,601	18,746	5.9	5.5	18,389	18,530	5.9	5.5
Que.....	271,991	303,301	5.5	5.3	246,644	287,533	6.1	5.6
N. W. T.	14,415	29,500	4.6	4.9	14,129	28,300	4.7	5.1

Canadians generally have derived what comfort they can from the fact that the standard of comfort is high even if the population does not increase as rapidly as they wish. Their consolation is derived from the contemplation of the general prosperity of the country rather than from the Census returns which, however, permit the same conclusions. The decline in the size of the average family is accompanied by an increase in the standard of comfort as evidenced by the housing of the people. There has been an increase of 500,000 in the population and of 230,000 in the number of dwellings; and the improvement is greater than the figures indicate. The term "dwelling" is so understood that the most wretched "shack" or shanty standing by itself counts as a dwelling, while the most luxurious flat or apartment-house counts as the third or fourth or fifth of a dwelling only. The result of this absurdity is that Montreal and Toronto appear to be not so well housed as they were in 1891. There were in Toronto in 1891 25,826 dwellings with 7.0 persons per dwelling, while in 1901 there were 28,898 dwellings with 7.2 persons per dwelling. In Montreal, there were 31,932 dwellings with 7.0 persons per dwelling in 1891; and 36,550 with 7.3 persons in 1901. If we compare families and dwellings on this basis, we find that Toronto is only slightly worse off than it was in 1891, but that Montreal is decidedly less a city of homes than it was in the same year. The necessity for the flat and the apartment-house is only beginning to be realised in Toronto: in Montreal the apartment-house has for many years been an important factor in city life. The Census authorities ought to recognise such a change in housing conditions and amend their definition so as to permit, as the Scotch Census permits, a flat to be taken as a dwelling.

The interest which each province has in its increase of population is more than sentimental. Representation is directly dependent on it, and a redistribution bill is an inevitable result of the Census. According to Section 2 of Clause 51 of the British North America Act—

"There shall be assigned to each of the other Provinces such a Number of Members as will bear the same proportion to the number

of its population (ascertained at such Census) as the number Sixty-five bears to the Number of the Population of Quebec (so ascertained)."

In order, probably, to obviate the necessity of making minute readjustments, it is further enacted by Section 4 of the same clause that no such readjustment shall take place unless the population of a province bears a proportion to the population of the Dominion less by one-twentieth than it did at the preceding Census. The Fathers of Confederation evidently thought the contingency remote; but representation was reduced after the Census of 1891, and there will be a reduction as a result of the present Census. Nova Scotia will lose two members, New Brunswick and Prince Edward Island one each, and Ontario will lose four or five. These the West gains; for Quebec retains a constant representation of sixty-five. The political consequence is of some importance. The centre of political gravity is moving Westward, and the result will be changes in Canadian trade policy. The West gains not only representation in the House of Commons, it must also obtain greater representation in the Cabinet, and that almost immediately. The Maritime Provinces have had four members in the Cabinet till now: the West from Winnipeg to the Pacific has had but one. The West has a population of 571,464: the Maritime Provinces have 893,467. The Maritime Provinces have had a Cabinet Minister for every 225,000 of population and have now one for every 270,000. As the Cabinet is already unwieldy on account of the supposed necessity of representing all Provinces and races and religions to include every possible interest that controls a vote, increased Cabinet representation for the West must mean decreased political importance for the Maritime Provinces in particular and for the older Provinces in general.

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NOTE.—Since this memorandum was written statistics have appeared in the newspapers, apparently on authority, giving results of districts not included, or included only by estimates, in the First Bulletin, and giving a total population of five million and a half; but since no official bulletin has been issued by the Census Bureau on this point we cannot, as yet, accept the reported increase.

RECENT OFFICIAL PAPERS.

Agricultural Returns for Great Britain. [C^d. 576.] 1901.

A DIAGRAM exhibits comprehensively what Major Craigie's report explains in detail—the decrease in the last thirty years by some 14 per cent. of arable land in Great Britain, and of land growing wheat by some 50 per cent., the increase of permanent pasture and of cattle, the fluctuating numbers of sheep. The statistics of agricultural food imported show for the last quinquennium a diminution in the quantity of

wheat, an increase in the amount of meat imported, per head. The total value of wheat and wheat-flour imported in 1900 was £33,429,174; whereas the produce of wheat for Great Britain in 1900 was 52,639,809 bushels at 3s. 4½d. the average price per bushel for 1900 (and also for the seven years ending 1900), = £8,828,134.

Royal Commission on Local Taxation. Final Report. [C^d. 638.]

DISCUSSED in the last number of the ECONOMIC JOURNAL, p. 321, *et seq.*, and in the present number, p. 469, *et seq.*

Report on Changes in Rates of Wages and Hours of Labour in the United Kingdom in 1900. [C^d. 688.]

THE eighth of the series, showing an unprecedented addition to the wages bill and some reduction in hours of labour.

Strikes and Lock-outs of 1900. Board of Trade (Labour Department). [C^d. 689.]

TESTED by number of disputes, number of workpeople affected, or aggregate duration, the disputes of the year were below the average of the last five years.

Thirty-Seventh Annual Report of the Registrar-General (Ireland), for the Year 1900. [Cd. 69.]

THE marriage-rate and the birth-rate decreased in 1900, the death-rate and the loss by emigration increased, compared respectively with the figures for the preceding year and the preceding decade.

Workmen's Co-operative Societies. Board of Trade (Labour Department). [C^d. 698.]

THE Report by Mr. J. Dent, one of the Labour Correspondents for the Board of Trade, describes the general characteristics, and distinguishes the species of workmen's co-operative societies: *e.g.*, in Great Britain workmen's associations for production, established mainly in the interest of the employees, were at the end of 1899 in number 132, employed 8,011 persons, and produced goods of value over £1,500,000, sold mainly to retail distributive societies. The Irish Co-operative Societies, which have peculiar features, had sales in 1899 amounting to nearly £1,000,000.

Second Abstract of Foreign Labour Statistics. Board of Trade (Labour Department). [Cd. 720.]

IN addition to the subjects dealt with in the first number, which was published in 1899, this second number refers to Conciliation and Arbitration Trade Unions, and Workmen's Insurance. Among the additions is a table of the wages in various occupations in Japan.

Trade Unions. Board of Trade (Labour Department). [Cd. 773.]

IN 1900 the number of trade unionists rose from just above 1,800,000 to above 1,900,000; whereof about 6½ per cent. are females. The income of 100 principal trade unions, rising by about £100,000 over what it was in 1899, nearly touches £2,000,000. Of the expenditure ten per cent. was spent on disputes in 1900. Comparative statistics for the period 1892—1900 are given in detail.

Early Closing of Shops. Report from the Select Committee of the House of Lords. 1901. No. 369.

CONVINCED that the present hours are grievously injurious to health, the Committee recommend that town councils should be authorised to pass provisional Orders (to be submitted to Parliament) making regulations suitable to each locality.

THE first number of the *Financial Annual of Japan* issued by the Department of Finance (Tokyo) records the revenue and expenditure of the state and of municipal corporations, the amount of money in circulation, the value of exports and imports, the average prices of commodities, and the average daily wages of labourers throughout the Empire, and many other kinds of statistics.

THE DOCKERS' STRIKE AT MARSEILLES.

THE July number of the journal of the *Musée Social* contains a detailed account of the Dockers' Strike at Marseilles during the spring of the present year, contributed by M. Léon de Seilhac. The main object of the strikers was to obtain the establishment of the eight hours' day, the same cause which is at present agitating the miners in France, but, as is generally the case in labour disputes, there were other subsidiary grievances, real or alleged. In the first instance, M. de Seilhac traces back this futile strike of 1901 to the successful

agitation of 1900. The demand made in this earlier strike for higher wages and better conditions of labour was generally recognised as reasonable. The wages of the dock labourers had for a long time remained absolutely stationary, while the cost of living had greatly increased, and the wages of other classes of workmen had been raised in proportion. The strike lasted but a short time, and was settled in favour of the men, who obtained both a diminution in the hours of labour and an increase of the day's wage from 5 to 6 fr. These and other conditions were embodied in an agreement between the masters and the men, known as the "Affiche Rouge." Unfortunately, one result of the rise in wages was the immediate influx into Marseilles of an enormous number of labourers, largely from Italy, but not a few from Provence and other rural districts, so that the supply of workers exceeded the demand. As a natural consequence, no one was fully employed, and the labourers who had so successfully struck for higher wages found that they were actually earning less than before the change.

This state of things produced general discontent, and a further shortening of the hours of labour appeared to offer some hope of a remedy. The French workman's idea of what is meant by the Eight Hours' Day is considerably in advance of that which prevails among the generality of English trade-unionists, and M. Guesde's definition as set forth in the *Petit Sou* is, therefore, worth quotation. He writes:—"What the socialists require by this formula of eight hours is a maximum of hours of work, that is, a law which will prohibit working more than eight hours a day." And he goes on to remark, their hope is that employees in the heavier trades will only work seven, six, or even five hours a day.

By the "Affiche Rouge," the working day had been fixed at ten hours in summer and nine hours in winter. It was difficult for the men's union to propose a revolutionary change in an agreement freely entered into six months before, but the masters were charged with violating the conditions laid down in various ways; complaints were made that their foremen had insulted the dignity of the workmen; other minor grievances were alleged and the strike began on February 27th. That these grievances, even if genuine, were not the cause of the strike, was sufficiently clearly shown, by the demands that the strikers formally presented on the 28th. These included the establishment of an eight hours day, summer and winter; abolition of over-time and night work; higher pay on Sundays and holidays, and the abolition of a special machine by means of which grain could be very speedily landed.

The Employers' Union, or rather the Contractors' Union, the hire and organisation of dock labour at Marseilles being in the hands of middlemen, published a document addressed to the people of Marseilles defending themselves against the charges brought by the strikers. This drew forth an extremely violent reply from the Strike Committee,

which illustrates clearly the difference between the conduct of strikes in France and England. One can hardly imagine any English trade union of standing issuing a document in which the employers are frankly termed "liars" without any polite circumlocution.

The strike continued, and it was decided to distribute provisions among the more necessitous of the labourers. M. de Seilhac remarks that the story told in the Chamber, amid great applause, that a subscription offered by the London trades unions had been politely declined, is apocryphal, and that in reality the strikers received from the International Federation of Dockers, whose headquarters is in London, a considerable sum, of which about 500 francs came from English dockers.

On the 16th of March a meeting of representatives from a large number of trade unions was held to consider the question of a general strike, and a resolution was passed in favour of this step, unless the demands of the dockers were granted. Several disturbances took place in the streets, shops were pillaged, but the movement for a general strike proved an entire failure. A certain proportion of labourers in many different trades ceased work for a week or two, but there was no general stoppage. The dockers on finding their efforts in this direction futile, began to drift back to work again.

On the 1st of April there were 3,700 employed in the harbour, and on the 4th, work, which had never been entirely interrupted, was so widely resumed that the strike might be considered at an end for practical purposes. At different times during the progress of the dispute efforts had been made to arrange conferences between the men and the employers, but these efforts had come to nothing, because it was impossible to bring about an agreement between the two parties as to the limits of the discussion; the employers expressing their willingness to consider the alleged breaches of the "Affiche Rouge," but absolutely declining to deal with the new demands put forward by the workmen. Seeing, however, that the failure of the strike was certain, the leaders of the dock labourers finally made a proposal for a conference with regard to the "Affiche Rouge" alone: to this the employers agreed, but the union of the workers in coal at the docks which had acted in harmony with the dockers' union from the outset, and which was equally concerned in the "Affiche Rouge" declined to appoint delegates on the subject, and the Strike Committee, disturbed at this new difficulty, gave up the conference and voted for a resumption of work without conditions. The workers in coal soon followed their example and the strike terminated.

In the concluding chapter of his report, Mons. de Seilhac considers the possibility of a Dockers' Co-operative Society. The formation of such a society was seriously suggested during the strike with a view to getting rid of the middlemen or contractors who arranged for the hire of the labour required at the docks. The scheme, though difficult, was by no means intrinsically impracticable, but the co-opera-

tive movement in Marseilles evidently suffers under much the same disadvantages as in London, and where distributive societies can hardly maintain their existence, a productive society, so much harder to organise, is not likely to succeed, especially among such a type of workman as the ordinary dock labourer.

At Marseilles, the hire of the labourer depends upon the will of the foreman, a system advantageous neither to employer nor employed. A union of some kind among the men which would assure an equitable division of the work, and which would be able, as M. Jules Guesde has said, to exclude "*l'armée de réserve du travail*," the stream of labourers attracted from the country by the high wages of the towns is urgently needed. M. de Seilhac gives details of the methods prevailing in London, Hamburg, Nantes, and at other ports, which, though varying in efficiency, all succeed in reducing to some extent the irregularity and "hand-to-mouth" character which distinguishes dock labour when wholly unorganised, as at Marseilles.

C. O.

THE TRADE UNION CONGRESS

THE thirty-fourth Trade Union Congress met at Swansea during the first week in September. Delegates were sent from about 191 of the 1,271 trade unions given in the Board of Trade report for 1900, the membership of the unions represented being 63 per cent. of the total membership. It had been decided at the previous Congress that the President should be no longer chosen by the Trade Council of the town in which the meetings were held, but that the President of the Parliamentary committee should be *ex officio* Chairman of Congress. The President this year was Mr. Bowerman, secretary of the London Compositors' Union.

The main events of importance to Trade Unionists during the past year were referred to in the presidential address. Mr. Bowerman deplored the fact that retrograde legislation with regard to education had been attempted. The passing of the Factory and Workshop Consolidating and Amending Act he considered to be "the only redeeming feature of the session." He pointed out that the success of the textile workers in securing 12 o'clock closing on Saturday ought to stimulate organisation among women in the non-textile trades, and suggested affiliation to the Women's Trade Union League.

The prominent feature of the address was a long and careful statement of the Taff Vale Case. Trade Unions were recommended to alter their rules under legal supervision in order, as far as possible, to protect themselves against the effects of the decision. The Parliamentary Committee considered that it was undesirable to take further action either in the direction of recovering the old position by

legislation or of incorporation until there had been a definite pronouncement by the House of Lords on the picketing question. The importance to Trade Unionists of returning more Labour members to Parliament was emphasized in the President's address, and during the week a resolution was passed in support of Mr. Smillie's candidature in North East Lanark.

The adoption of the American system of appointing committees to consider groups of resolutions relating to the same subject in order to save the time of the Congress by submitting one comprehensive resolution was a distinct improvement upon the procedure in former years.

Among the more important of the resolutions passed were those in favour of raising the school age for children, and the age of employment in factories, to fifteen, the abolition of school fees in elementary, continuation, higher or technical schools, and labour representation on the Board of Education, the establishment of a system of old age pensions, the enforcement of the fair wages resolution in Government contracts, the amendment of the Workmen's Compensation Act, the taxation of land values, an eight hours' working day, the extension of the Parliamentary suffrage to women, better housing and cheap trains for the working classes. The resolution in favour of a system of Compulsory Arbitration was again lost by a large majority.

No discussion of the war in South Africa took place this year. The President pledged himself to the secretary of the Navvies' Union, who wished to raise the question early in the week, that an opportunity would be afforded later in the proceedings; but a resolution to suspend standing orders for the purpose was proposed late on the Friday, when the delegates were anxious to terminate proceedings, and it was defeated.

Addresses were, as usual, delivered by delegates representing the National Federation of Labour of the United States, and the Co-operative Union of Great Britain.

M. W.

LABOUR NOTES.

No general change in the conditions of employment has taken place during the last six months, and the *Labour Gazette* formula of "worse than a year ago," but "considerably better than the mean of the last ten years" still holds good. Since April conditions have tended to approximate to the more favourable conditions of 1900, but it is only the more sanguine who venture to hope that this improvement will be maintained throughout the winter. Buoyancy has for the time being gone; the depressed conditions abroad, especially in Germany and Russia, are destined to react unfavourably in this

country; the trend of wages and of the prices of staple goods is slightly downwards; railway returns are unsatisfactory; and a more local indication of still further restriction is perhaps to be detected in the recent increase in Metropolitan pauperism. The portents, therefore, are not favourable, and some observers are already discussing the "impending crisis." But the moment is one rather for cautious going than for alarm.

It is just possible that trouble may be brewing in the South Wales coal-fields, owing to the falling wages and to the attempts of the men to restrict output by enforced "play days," but at the moment no serious labour dispute is on hand throughout the country. The difficulty at the Penrhyn Quarries is still unsettled, but the number of men employed there is slowly increasing. The records of the quarries during the last few months reflects the number of cross currents that have been at work there including as they do an occasional charge for assault; votes of thanks to Lord Penrhyn; and the calling in of the military to quell anticipated disturbances. The Bethesda choirs are meanwhile singing their way through the country collecting funds for those who are suffering through the conflict; some four or five hundred men are at work in the quarries; and the greater number of the old employees have obtained work elsewhere. As in another place, so here, it seems almost hopeless to expect that any formal peace will be concluded, but, also as elsewhere, it appears that peace is nevertheless slowly coming.

THE sharpest dispute of the year has been that in the Grimsby fishing trade, and only after three months of hostilities was the psychological moment reached when both sides, tired of the struggle, were ready for arbitration. The Earl of Yarborough successfully played the part of mediator, and on behalf of both sides conveyed their request to the Board of Trade for the appointment of an arbitrator. Sir Edward Fry has been chosen, and his award, not yet announced (Nov. 26) is to be retrospective so far as wages are concerned from the date at the beginning of October at which fishing recommenced.

THE controversy has already begun as to whether the shilling tax on exported coal is having an appreciable effect on miners' wages, but the issue is almost certain to be inconclusive, since, if this particular effect make itself felt at all, it is almost certain to be lost in a far wider range of influences. A return recently reported by the Board of Trade as to the wages of coal-miners confirms this view, the variations above the "standards" that are accepted as the basis of reckoning having ranged in one or more of the British coal-fields during the fifteen years

1886-1900, from zero to as much as 100 per cent. The average wages of miners of all classes during the above period is estimated to have been 26s. 6d. per week, earnings having ranged from 21s. 2d. per week in Oct. 1886, to 33s. 11d. in 1900. According to a recent official Belgian return it appears that in the latter year only about 13 per cent. of the miners in that country, at an ordinary day's work, reached the British average.

INTERESTING differences of opinion are finding expression in attempts to forecast the effects of the recent judgment of the House of Lords in the appeal of the Taff Vale Railway Company against the Amalgamated Society of Railway Servants, and two that are illustrative and contradictory are worth putting on record. The first is from the September number of the official organ of the Amalgamated Society of Engineers, according to which the "Trade Union charter," already "nibbled at from time to time" has been "practically wiped off the slate" by the action of the House of Lords. The second opinion, more thoughtful, more hopeful and more authoritative, has been expressed by Mr. J. M. Ludlow who, after admitting that his opinion as to the legal position of Trade Unions had been undergoing a change in recent years, and stating that the recent judgment had given him no surprise, writes as follows:

"A door must be either open or shut; it cannot be at the same time open for the purpose of enabling Trade Unions to prosecute dishonest officers, and shut to all proceedings against themselves. My advice to Trade Unions would therefore be to accept the judgment of the House of Lords, and to meet its consequences by increased prudence and straightforwardness in their proceedings, and greater care in the selection of their members and officers. I feel perfectly convinced that any attempt to overrule the judgment would be simply futile and wholly injudicious. And I trust that the time will come when that judgment will be felt to have been a blessing in disguise, by forcing Trade Unions to rise to the full height of their responsibilities."

It is at this moment, however, when a judgment has been delivered that is of the first importance, and is calculated to have a most beneficial effect on Trade Union procedure, that a furious attack upon it has broken out, and Trade Unionism, with other offences, is being roundly charged with sanctioning, and even surreptitiously favouring, a policy of systematic industrial malingering. The most serious and the best established charges have been those brought against the building trades, and in these, protected as they so largely are from the introduction of outside products, there is undeniably an exceptional danger lest "efficiency" be whittled down to the average of the "very average" man. In other words, certain sections of these trades have

the greatest chance of obtaining and thus of yielding to the temptations arising from monopolistic conditions, whether this temptation take the form of extravagant claims or of systematic "slacking" and shirking.

ALL monopolies are dangerous, however, whether of capital or labour, and among the London bricklayers the conditions of monopoly more nearly prevail than in any branch of the building trades, with the possible exception of the plasterers. Those who are familiar with the facts of the case would learn without surprise, therefore, that the conditions of the last few years are apt to be unfairly used. The extent of this unfairness, however, and its measure, are much more open questions, and it may be noted, for instance, that any estimate of the efficiency of bricklayers based on the number of bricks laid per day is apt to be very misleading, if the character and quality of the work are not taken into careful account. Thus, the suggestion frequently made that the present high wages only secure about one-third of a fair day's work is, I venture to think, although there may be individual cases in which it is true, a gross exaggeration when applied to the trade as a whole.

FOR, after all, the London Building Trades are not protected by a ring-fence: less than 50 per cent. of the London bricklayers are returned as members of their Trade Union, and the proportion of non-union labour in Greater London would be much larger. This unorganised labour is not used by the employers who are complaining of the trade societies because the bricklayers of London who are "in union" are strong in their economic position, not simply because they are organised and not by their numerical preponderance, but because they form the most efficient body of men in their trade. A certain number of men of exceptional ability will hold aloof, but on the other hand it is quite certain that the habitually unsteady man, the habitually unruly man, and even the habitual shirker, are likely neither to be welcomed by the Trade Union, nor, if admitted, to keep up with their subscriptions. In few trades, moreover, is employment more discontinuous, and in few trades, therefore, can employees be more constantly sifted. The foreman, therefore, who takes on or keeps on a man who will only put in his third of a day's work, or the employer who so organises his business as to make this possible, are themselves showing other forms of that very inefficiency which is complained of in the men. The rapid worker, moreover, is at hand, and the "cottage building" in almost every London suburb is his handiwork. Trade Union rule is very far from running there, but the chief merit of the dwellings so erected is very often to be found solely in the fact that in some thirty years they will be ready to be swept away. But more central and better-to-do London would be very far from content if the same

nimble workers, even though they might lay 1,200 bricks per day, were employed upon its buildings, and it would appear that, after all, therefore, the "dearer" labour, dear though it be, is, in the long run, the cheaper.

THE foregoing is, I think, part of the fair and valid reply to the sweeping criticisms that are being made, and much more might be said in the same direction, not least forcible being perhaps the reminder of the spectacle that London presents to-day, with her unceasing growth and her constant transformation. At hardly any period has this double movement been more marked than at present, and the operative builder is the medium through which it is being mainly effected. It might be added that it is not altogether to his discredit if, albeit unconsciously, his expensiveness is adding strength to the body of economic and social influences that are now favouring decentralisation—industrial and residential. But this would be a dangerous argument to advance in favour of unscrupulousness, and I am concerned, not to defend the man who works unfairly, but to advocate a more discriminating criticism of trade-union action.

THERE are enough flaws in the movement—such as irritating and selfish demarcation disputes, the harsh treatment of non-members, mistakes in leadership, the advancement of unreasonable claims, opposition to improved industrial relationships that are incompatible with current Trade Union methods, and indifference to questions of technical training and progress—to make it unnecessary and unwise to condemn the movement as a whole, for which, unless it be in the direction of industrial co-partnership, serious alternatives are rarely proposed. If, therefore, the principle be accepted as a just one, that men should have the right to combine to keep up wages and to regulate the conditions of their employment, much as it is admitted that ratepayers have the right to form associations to keep down municipal extravagance, then it is the abuses to which the adoption of the principle may lead, and not Trade Unionism itself that should be brought to the bar of public opinion. All extension of organised control has its dangers and pitfalls, be it in the State, as witness the recent rules of the Home Office further regulating employment in the Potteries, or in great national trade societies. As a community, however, we are committed to such extensions in one form or another, and from time to time the inevitable consequence will be economic loss, be it because the position of the unworthy individual, or it may even be a group of individuals, is unduly strengthened, or because the play of some strong individuality is arrested. But we cannot, therefore, afford to revert to disorganisation either in the state, the municipality, the factory, the machine

shop or the building yard. The determination to "get on" in life and the claims of dependents; the common-sense of the rank and file of artisans and mechanics; the ability of the rank and file of employers, managers and foremen; the pressure of competition, international or provincial; the advance of the younger recruits to claim their place in every trade—such forces, combined with the prevailing sense of justice, and the preference for fairness and thoroughness, and, let us hope, an increasing care for the common weal, would appear to go far towards forming the economic safeguard, not only of the country, but even of such hampered trades as engineering and ship-building, and even the London building trades.

FROM the Board of Trade Report on Strikes and Lock-Outs of 1900, it appears that the number of disputes (648) and the number of work-people directly affected (135,145) compare favourably with each of the preceding four years. In 61 per cent. of the disputes of 1900, questions of Wages were the principal cause. Thirty per cent. of the disputes were settled in favour of the work-people; nearly 25 per cent. in that of the employers; and nearly 42 per cent. were compromised. In the few remaining cases no definite settlement was arrived at. The aggregate duration of working days taken up by all the disputes for the year amounted to something over three millions, but the percentage proportion of work-people affected in all trades throughout the country, excluding agricultural labourers, seamen and fishermen, was only 2·2. During the same year in which active disputes disturbed such a small percentage of the wage-earners of the country, the Trade Unions were steadily increasing their membership, the total mounting during the year by about 100,000, and reaching at its close an aggregate of 1,905,000. The accounts of the 100 principal unions reflect the same general progress, the funds at the end of the year showing an increase of nearly half a million, and standing at something over 3½ millions. During the year the expenditure of the 100 principal unions amounted to nearly a million and a half, of which only 10 per cent. was spent on dispute pay. Working expenses absorbed 25 per cent., a rather large proportion, but by far the greatest share, amounting to nearly 65 per cent. of the total, is accounted for by unemployed and other friendly benefits. During the last nine years, when an aggregate of 13½ millions has been spent, the average percentages have been 20·2, 19·5 and 60·3 respectively for the three main heads of expenditure just mentioned.

ERNEST AVEA

CITY NOTES.

The Money Market.—Early in the quarter the Bank rate which had been lowered last June was again raised to 4 per cent., thus justifying the view which has been so long put forward in these notes as to the permanent causes of dear money which are now in operation, and which will probably continue in operation until the bad business of the last few years has been liquidated, a result which in turn can hardly be arrived at without a crisis. The crisis has been delayed, although it is about two years since liquidation and financial troubles began in Germany and some amount of bad business has also been coming to light from time to time in this country as well as in the United States and France. All experience shows, however, that such a crisis is averted with difficulty when once there have been omens like these observable during the last few years; and if it is averted we have, instead, a long dragging period of liquidation which is almost worse for business than a sharp crisis and a rapid recovery. We should look for events of a grave kind accordingly in the business world during the next few months. The crisis may not come, but it would be a good thing perhaps if it did come and “clear the air”. In Germany especially the bad business needs a thorough clearing out.

The Fall in Securities.—One of the results of the present condition of the money market and of business has been another fall in securities, beginning with Consols, but extending to almost all markets. In Consols the fall has been quite 2 per cent. in a very short time, and as I write the price is $91\frac{1}{2}$ only or almost the bottom price for many years. No doubt the abundance of new Government issues and other circumstances have all told on the markets for securities, but the substantial cause of weakness is the diminution of the volume of profits in business itself at the very time the public were committed to so many new undertakings. A larger amount of profit such as was earned only a few years ago would have quite sufficed to maintain the prices of those times in spite of the large new issues. The only cure can now come from the slow process of digestion by the investor, the restriction of issues by the promoter, and the energetic activity of business men in reducing needless expenses and taking other measures necessary to restore the balance of profit. The process would be accelerated by an acute crisis, but the conditions must work themselves out whether with or without a crisis.

Gold Remittances from America.—The money market was steadied at the critical moment by gold remittances of large amount from the United States to Europe, the amount in one shipment having exceeded considerably £1,000,000. This reflux of gold from the

United States to Europe is, perhaps, a little astonishing in view of all that has been said about the excess of exports from the United States for some time past, and the consequent probability, it was assumed, that Europe would be obliged to remit to the United States in payment of its indebtedness. The event illustrates once more the difficulty of forecasting the actual course of bullion movements from the so-called trade balance. Sometimes, to all appearance, gold does flow from one country merely in payment of debts. Goods of all kinds and securities are likely to move rather than bullion; but at length, if there is no other factor, bullion goes too. This is especially the case in gold and silver producing countries where the gold and silver are in fact exported as readily as any other commodities. But in addition to this movement of bullion in payment of debts there is another movement determined by money market conditions, and in this case the bullion movement may be directly opposite to that which the trade balance points to. It is a movement of this sort which has lately been going on from the United States to Europe. Europe calls for gold, and as the United States can spare it the call is answered. No doubt a price has to be paid, and ultimately there may be a reflux to the United States when Europe can repay the temporary loan; still the actual condition of the trade balance at the moment does not prevent the bullion movement. It remains to be seen, moreover, after a little more experience, what the true surplus of the United States in a series of years will be.

War and Trade.—I may repeat again what has been noticed in these notes before, that the dulness of trade and the anticipations of a crisis, up to the present, are not in any way due to the war. In fact trade is less dull in the United Kingdom than in Germany or France, or even the United States. It is Germany notoriously which is suffering most severely from trade depression. In the United Kingdom we have some falling off of exports, mainly explained by the reduction in the price of coal from last year's high level; but generally there is little reduction in the quantity of business, while the returns as to the employment of labour show little falling off, either compared with the previous month or with the corresponding month of last year. It cannot be said, therefore, that it is the war which is making what dulness there is. Nor is there any reason why it should. Great as the expenditure on the war is, people forget that the amount is really small relatively to the resources of the country. Nominally the Government is spending a hundred millions or thereabouts annually more than it did a few years ago, but people forget that a large part of the amount would have been spent in any case by individuals, if not by the Government, probably in a manner as unproductive as expenditure on war, and that the real loss to the community by the diversion of its industry is only a small fraction, perhaps not more

than one or two per cent., of the total income of the community. Hence the war interrupts no industry and paralyses no industry, while it has even given a fillip to some. What the result will be, moreover, of a large permanent increase of Government expenditure remains in doubt. The *tendency* is of course bad economically; but it is the quantitative effect that is here in question, and I can only notice that so far the war is not causing the great depression in business which many people looked for.

What should be the New Taxes?—This is perhaps the most engrossing practical question of the moment. The Chancellor of the Exchequer has himself dropped a hint that the burden of taxation may have to be increased next session. It is evident again, to every one who cares to follow the course of the budgets, that the permanent increase of expenditure foreshadowed in these notes as the probable indirect result of the war has become an absolute certainty. The military occupation of South Africa is an undoubted new burden; our navy for obvious reasons must be maintained in a high degree of strength and efficiency; our whole army, and not merely the addition in South Africa, must be increased in numbers and efficiency. These are the reasons why expenditure must be permanently increased, and why no reduction of the so-called war taxation is to be contemplated. The answer to the question must also be that the only new taxes conceivable are the indirect. Especially when it is a permanent increase of taxation that is concerned, an increase of direct taxes is out of the question, because direct taxes are necessary as a reserve for emergencies unless the rate is very low. What the particular indirect taxes should be it is however of little use speculating. Obviously, to bring in money, the Chancellor of the Exchequer is limited to taxes of the nature of the sugar duty which he imposed last year. The coal tax which he tried was a success, but it does not yield much money, and there is not much room in English finance for experiments of that kind. It is safer to trust to such things as tea and sugar, or a moderate corn duty such as we retained in our finance down to 1870. There is ample room in this direction for duties that will bring in many millions and leave the country no more burdened than it was thirty years ago when the taxes were nevertheless light. The knotty question will perhaps be whether some new taxes of this kind should not be imposed in order to diminish the excessive weight of the Income Tax which is far above the rate that ought to be admitted in times of peace or for a permanency.

The London and Globe Finance.—About a year ago there occurred the collapse of the London and Globe Finance Corporation with its

serious Stock Exchange consequences, and the narrow escape of a general financial panic. The shareholders, unwisely for themselves, decided on a voluntary winding up under the supervision of the Court, and as the creditors were persuaded not to oppose, the Courts refrained from ordering a compulsory liquidation of the different companies concerned. The endeavour to avoid the compulsory ordeal has, however, proved unsuccessful after all. First something came out about one of the allied companies; then something about another; then compulsory liquidations were ordered, which led to more disclosures; so there is now to be compulsory liquidation of the leading or parent Company after all. It may be hoped the investigation will be thorough, as the financing has plainly been of the strangest. If the Companies Acts were strengthened, as they ought to be, no such failures should ever take place without a thorough official investigation and the public examination of all the directors and officers concerned, and this quite apart from the desire of shareholders and creditors to have matters hushed up. The reason is that the failure of a great joint Stock Company is a public calamity, producing public mischief far beyond the narrow area of the shareholders and creditors first affected. No really public company should, in fact, be allowed to become insolvent without full inquiry in the interests of the whole community.

R. G.

CURRENT TOPICS.

THE King has been graciously pleased to become the Patron of the British Economic Association.

THE Eighth Congress of the International Statistical Institute was held on the invitation of the Royal Hungarian Government at Buda Pest, in September and October last, under the presidency of Herr von Inama-Sternegg, who succeeded the late Sir Rawson Rawson in the chair of the Institute. Thirteen different States were represented by 58 delegated members of the Institute, and among the visitors present were representatives of two other European countries and of Japan. The United States of America were not represented on this occasion; and the British delegation was more than usually limited—Major P. G. Craigie being the only official, and Mr. F. Hendriks the only unofficial member, who attended from England. The French and German delegates, official and unofficial, were, on the other hand, very numerous, and the Hungarian hosts of the Institute with their Austrian neighbours took naturally, also, a prominent part in the discussion. The papers contributed covered a very large variety of

Economic, Financial, Administrative and Demographic subjects. The results and methods of the recent Census enumerations of more than a score of countries came under notice, and the proposals for attempting, on some general plan, estimates of the population of hitherto unenumerated states engaged the attention of a special committee of the Institute. Certain new committees were set up, among these one charged with the investigation of methods of comparing international railway statistics. Special arrangements for obtaining uniformity in Emigration Statistics were proposed, and amongst numerous contributions which were submitted, the exhaustive compilations of M. Levasseur on the Methods of Agricultural Statistics, of M. Neymark on questions of Moveable Property valuation, and of M. Körösi on Limited Company Finance, may be specially remembered, as well as M. De Foville's review, entitled "La Statistique et l'Opinion." The next meeting of the Institute is fixed to be held in Berlin, in 1903. Among the new members elected this year, one Englishman, Mr. Llewellyn Smith, one American, Mr. John Hyde, and two Hungarians, M. de Vargha, and Professor Mandello, may be known in this country.

OUR youngest contemporary, *Biometrika*, which purports to be a journal for the statistical study of biological problems, interests the economist generally as an extension of exact science to phenomena of life, and specially as calculated to improve an instrument of economic research, statistics. The names of Francis Galton and Karl Pearson among the editors are a guarantee of statistical excellence. Articles in the first number by Professor F. Ludwig, Professor Tor Weldon, Professor Pearson himself, and others, fulfil this promise.

THE Rev. Charles J. Hamilton, M.A., of Gonville and Caius College, Cambridge, has been appointed Lecturer on Political Science (which is understood to include economics) in the University College of South Wales and Monmouthshire (Cardiff), in the place of Mr. S. J. Chapman, translated to Manchester from Cardiff—not from Aberystwith as we wrote by inadvertence in our last issue.

PROFESSOR FRANK A. FETTER, leaving Leland Stanford Jr. University, has been appointed to the New Chair of Political Economy and Finance at Cornell University. Among his numerous contributions to periodical literature may be noticed: *Recent Discussion of the Capital Concept*, Quarterly Journal of Economics, Nov., 1900; *The Passing of the Old Rent Concept*, *Ibid.*, May, 1901; and *The Next Decade of Economic Theory*, American Economic Assoc., Jan., 1901.

PROFESSOR EDWARD A. ROSS who held important posts at the Leland Stanford Jr. University from 1893 to 1897 has been appointed Professor of Sociology at the University of Nebraska. He has been for many years a diligent contributor to periodical literature; e.g., articles on *The Standard of Deferred Payment* in the *American Academy for Political Science*, 1892 and 1893, on *The Tendency of National Value*, *Yale Review*, 1893. We announce below, among New Books, *Social Control*, by Prof. Ross (Macmillan Co., New York).

WE regret to announce the death, by an accident, at the too early age of forty-seven, of the distinguished American publicist, Professor Richmond Mayo-Smith. He had held the chair of Political Economy and Social Science at Columbia University, New York, since 1883. He was the author of two important works, *Emigration and Immigration*, reviewed in the first volume of the *ECONOMIC JOURNAL*, and *Statistics and Sociology*, in two parts, reviewed respectively in the sixth and ninth volumes of the *ECONOMIC JOURNAL*. He contributed to the first volume of the *Journal* an article on the eleventh census of the United States. He also enriched the *Political Science Quarterly* of New York by valuable articles. He excelled in applying statistics to the practical problems of political economy.

RECENT PERIODICALS AND NEW BOOKS.

The Economic Review.

October, 1901.

Brooke Foss Westcott. Rev. T. C. FRY. *Profit-Sharing—a Vindication.*
G. LIVESSEY. *Colonisation in British Guiana.* HENRY KIRKE.
The Workmen's Hotel Movement. J. G. LEIGH. *The Co-operative*
Movements. H. W. WOLFF.

The Housing of a Provincial City. Rev. A. J. CARLYLE.

A summary of the Report of the Municipal Housing Committee formed last year in Oxford. The facts shown claim the intervention of public authority under Part III. of the Housing Act of 1890.

Under the head *Legislation*, &c. Mr. Cannan gives a valuable analysis of the Royal Commission on Local Taxation.

Journal of the Statistical Society.

September, 1901.

On the Calculations of National Resources. V. V. BRANDFORD.

Recent Gold Production of the World. WYNNARD HOOPER.

Mr. Hooper does not attribute the rise in prices after 1896 to the great increase in the stock of gold, and he regards their fall in the last few months as a reaction from a level which was the result of excessive speculation. He is inclined to expect for the next few years a higher level of prices than in 1881-96.

Methods for Calculating Mean Numbers of Population. T. E. HAYWARD.

Importance of General Statistical Ideas (Presidential Address to Section F of the British Association). Sir ROBERT GIFFEN.

Important general ideas are presented respecting the increase of populations of European origin (from 170 to 510 millions in the nineteenth century), the dependence of Europe on food supplies, new markets, and other topics, in particular the rate of growth of population.

Shipping Subsidies. B. W. GINSBURG.

A review of the numerous subventions granted by foreign governments is accompanied with the suggestion that ours might offer further inducements for the construction of fast merchant steamships.

Correlation of the Marriage Rate with Trade. R. H. HOOKER.

An original method of dealing with the correlation of phenomena which are causally connected as to their shorter, but not as to their secular, fluctuations shows that there is a close correlation between the minor oscillations of the marriage-rate and those of imports, exports, total trade (imports + exports), and amount of clearing; the correlation coefficients being largest (some over +0.9) when the marriage-rate at any time is compared with trade statistics at a date earlier by some months.

Census Notes. J. A. BAINES.

A useful comparison of the latest results of enumeration in the principal countries.

In the *Journal of the Statistical and Social Inquiry Society of Ireland* for August, 1901, Mr. C. H. Oldham discusses *the bearing on industry of the impending changes in Irish Education*; Mr. D. J. Wilson, *The Tourist Movement of Ireland*, of which the economic importance is illustrated by some figures—e.g., in the year 1900 in one parish the Manager of the Rosapenna Hotel disbursed in wages and car hire the sum of £1,500.

The Contemporary Review.

October, 1901.

Is Great Britain falling into Economic Decay? H. MORGAN BROWNE.

Many statistical fallacies [in former numbers] are attributed to the author of "Drifting."

The National Review.

September, 1901.

Made in Germany—Five Years After. ERNEST WILLIAMS. The author claims to have been a veracious, if not an honoured, prophet.

In the *Journal of the Asiatic Society*, October, 1891, *Notes on early economic conditions in Northern India*, by Mrs. Rhys Davids, supplements her article in the September number of the *ECONOMIC JOURNAL* by giving the references there promised. They form a key to much curious information on the organisation of labour, the money and prices, and other economic features of ancient India.

Quarterly Journal of Economics (Boston).*Indian Currency Problems of the Last Decade.* A. PLATT ANDREW.*The Genesis of the United States Steel Corporation.* E. S. MEADE.*Labour Legislation in France under the Third Republic.* W. F. WILLOUGHBY.*Clark's Distribution of Wealth.* T. N. CARVER.[A sympathetic, yet critical, review of Prof. Clark's *magnum opus* (noticed in the *ECONOMIC JOURNAL*, 1900, p. 534).]*Reply to Final Objections to the Risk Theory of Profit.* F. B. HAWLEY.[Referring to the author's article, *Enterprise and Profit*, in the *Quarterly Journal* for November, 1900, Prof. Carver's criticism of the same (*ibid.*, May, 1901), and Prof. Emery's paper at the meeting of the American Economic Association.]*Political Science Quarterly* (New York).

September.

Monopolies and the Law. J. B. CLARK. To keep competition in vigorous life by the use of the common law is the author's recipe against the evils of monopoly.*The Principles of Economic Geography.**Journal of Political Economy* (Chicago).

September, 1901.

The Empirical Method of Economic Instruction. R. F. HOXIE.*Public Policy concerning Franchise Values: A Problem in Taxation.* GEO. C. SIKES. The plan of raising revenue by way of "franchise" (such as the grant by public authorities to a private corporation or individual to use public streets for a street railway) is condemned.*The Significance of the Pullman Strike.* A. P. WINSTON.

The strike of 1894 showed much respect for law and order on the part of the workmen and their leaders.

The Industrial Status of Women in Elizabethan England. ELLA C. LAPHAN.

Pretty pictures of "Housewifery in the Country" (J. Lyly) and all manner of old-time industries.

Journal des Économistes (Paris).

September, 1901.

Les travaux parlementaires de la chambre des députés (1900-1901). A. LIESSE. *Travaux des chambres de commerce.* ROUXEL. *Les*

dernières crises agraires en Italie. P. GHIO. *Mouvement scientifique et industriel.* D. BELLET. *Revue de l'Académie.*

October.

Le principe de Lavoisier et le socialisme scientifique. E. MARTINEAUX.
L'Industrie professionnelle et l'Industrie nouvelle. C. LIMOUSIN.
Le mouvement financier et commercial. M. ZABLET. *Revue des principales publications économiques.*

November.

La production et le commerce du travail. G. DE MOLINARI. *Les mouvements de l'escompte officiel de la Banque d'Allemagne de 1895 à 1900.* A. RAFFALOVICH. *Le mouvement agricole: L'Utilisation de la vache laitière aux travaux des champs et la production du lait.* L. GRANDEAU. *Revue des publications économiques.*

Revue d'Économie Politique (Paris).

August—September, 1901.

La méthode mathématique en économie politique. E. BOUVIER. [The mathematical method is possible and useful.] *Le Socialisme devant la Sociologie.* CH. M. LIMOUSIN. *La notion de l'Etat.* M. HEIN. *La question des règlements d'atelier en France.* E. CAILLEUX.

October—November.

Le problème social de la petite Bourgeoisie en Belgique. H. LAMBRECHTS.
Les traités de commerce entre la France et l'Angleterre sous l'ancien régime. E. LEVASSEUR.

The provisions of commercial treaties from the Treaty of Blois, 1572, to Eden's Treaty, 1776, are described and rendered intelligible by reference to contemporary theories.

La question des règlements d'atelier en France. E. CAILLEUX.

Les accidents agricoles en France. R. GONNARD.

In the *Revue Internationale de l'Enseignement*, Professor Levasseur's paper *l'Enseignement de l'Economie Politique* treats with breadth the general advantages of a liberal education and the special need of economic training for business men.

Among numerous instructive articles in *L'Économiste* we may distinguish two (August 24 and 31) on the depression of the Exchanges in certain countries, due to a redundant paper currency and loss of credit. M. Paul Leroy-Beaulieu recommends to Spain an heroic

measure like that which Brazil has carried out to reduce temporarily the interest of her debts and to employ the sum thus freed in restricting the fiduciary circulation.

M. Leroy-Beaulieu does not disapprove (September 21) of the new tax in Paris on unbuilt land, provided that it is construed with great circumspection, so as not to apply to courts and gardens.

M. Pierre Leroy-Beaulieu reviews (August 24) the results of the census held in March, 1901. The total population in round numbers, 38,500,000, shows an increase of less than 1 per cent. on 1896. The migration from the country into the towns is not in France as elsewhere compensated by a great increase of the town population.

The well-known initials, A. de F., are prefixed (October 26) to a racy description of the recent meeting of the International Institute of Statistics at Budapesth. Special attention is called to M. Rubin's statistics of workmen's expenditure based on the budgets of 251 Danish families, and M. Körösi's evaluation of the returns to investments, account being taken of losses. In another number M. de Foville has flatteringly reviewed (September 7) M. Levasseur's new redaction of the *Histoire des classes ouvrières et de l'industrie en France avant 1789*. M. de Foville refers especially to the history of corporations, not originally so noxious as they had become in Turgot's day. Once they were fortresses erected against the enemies of industry. Better so than like the modern "Syndicats" to turn industry into a field of battle.

Jahrbuecher für Nationaloekonomie (Jena).

September, 1901.

Die soziale Lage der Pforzheimer Bijouteriearbeiter. W. TROELTSCH.
Industrielle Fachverbände. LANDGRAF.

October.

Die soziale Lage der Pforzheimer Bijouteriearbeiter. W. TROELTSCH.
Die Getränkesteuern in Frankreich. M. HECKEL.

Finanz Archiv (Stuttgart).

18er Jahrgang, 1er Band.

Die Steuerreform im Grossherzogtum Baden. A. BUCHENBUCHER.
A careful criticism of the existing system with discussion of some proposed reforms.

Untersuchungen zur Frage der Steuerüberwälzung. E. LASPEYRES.
An elaborate statistical inquiry by a master of the method into the incidence and effects of the Prussian "meat and meal" taxes. The changes in price resulting from the removal of the taxes are investigated by a series of minute comparisons between the condition of those towns that had been subject to the imposts and those always free from their operation. A second part deal-

ing with the action of these taxes during their existence is promised.

18er Jahrgang, 2er Band.

Die Probleme der Diskontpolitik und der inlandische Wechselverkehr. O. WAHRSCHAUER. This paper, "financial" only in the looser sense of the term, deals with the methods adopted by the leading European banks in advancing loans. The discount rates in London, Paris, Berlin, and Vienna are compared for a series of years.

Studien zur Geschichte und Theorie der Erbschaftssteuer. G. SCHANZ. The writer concludes the history of inheritance taxes commenced in a previous vol., and reviews the theories of Bentham, J. S. Mill, and many German writers. He bases this form of taxation on (1) the increased ability that succession gives, (2) the desire to tax property rather than labour, (3) limitation of the right of inheritance.

The Swedish *Ekonomisk Tidskrift* contains in its June number a review of two papers on a subject interesting to statisticians, the early history and organisation of Swedish population statistics. The introduction to the report on the enumeration of 1749 has been discovered by Hr. Aug. Hjelt, the writer of the said papers, and is printed by him. This commentary on the tables was long regarded as lost. The reference to the papers which the reviewer gives simply shows that they are published at Helsingfors. We believe that they are contained in the publications of the Geographical Society of Finland. An international interest, of course, attaches to such contributions to the statistical history of the classical land of population statistics.

In the last number to hand, No. 9 of 1901, an article by Hr. Otto Rosencrantz deals with Egyptian taxation and finances in Græco-Roman times, based on the work of Wilcken in the main. In this number is begun a new feature of the *Tidskrift*, the tables hitherto given of the status of the leading Swedish banks being now supplemented by a summary of the monthly trade-returns of Sweden, and of the weekly bank reports of the Swedish Riksbank, with the corresponding report for Norway and for the Banks of England and France and the German Reichsbank; also the monthly report of the Danish National Bank.

Giornale degli Economisti (Rome).

September, 1901.

Le Nuove Teorie Economiche. V. PARETO. *Appendice: Le Equazioni dell' Equilibrio Dinamico.* V. PARETO. The use and beauty of pure economies are set forth with persuasive clearness for the benefit of the general reader. A technical appendix presents "equations of dynamical equilibrium," assisting the student to apprehend the functions of the entrepreneur.

Sorgenti di Reddito pel Compenso dello Sgravio dei Consumi. L. NINA.

Proposals for the remission of taxes on commodities. *La Nuova Tariffa Doganale Tedesca e le Soverchie Preoccupazioni Italiane.* A. BERTOLINI.

October.

Nota sui Caratteri delle Posizioni Iniziali e sull' Influenza che le Posizioni Iniziali esercitano sulle Terminali. M. PANTALEONI.

[In the mechanism of the market the difference in wealth between the parties is not the only initial circumstance which affects the final position. Suggestions for a less abstract conception of catallactics are thrown out in profusion.] *Disegno di una Riforma Razionale del Sistema tributario Italiano.* G. ALESSIO. *Gladstone e la Riforma tributaria in Inghilterra.* R. DALLA VOLTA. *Su una Critica ad un Libro di Critica.* E. BARONE.

November.

Sui Tentativi di Applicazione delle Matematiche alle Scienze Biologiche e Sociali. V. VOLTERRA. [A comprehensive view of the subject takes in Prof. K. Pearson's applications of statistics to biology.] *Disegno di una Riforma Razionale del Sistema tributario Italiano.* G. ALESSIO. *Tecnica e Logica dei Rapporti Statistica.* R. BENINI. A study in the logic of statistics.

In the October number of *La Riforma Sociale* (Turin), *Spain after the War* is the subject of a hopeful article by G. Azcàrate, member of the Spanish Parliament. In the November number Professor Camillo Supino traces *the degeneration of economic individuality* in modern industry. *The Liberation of Eighty Little Martyrs*, by L. Einaudi and G. Prato, is a pathetic incident in the crusade conducted by the *Opera di assistenza degli operai Italiani all' estero* on behalf of Italian children perishing in French glass manufactories (see also the June number of the *Riforma*).

Nuova Antologie (Rome).

Movimento Operaio e legislazione Sociale. ACHILLE LORIA. Striking views on labour legislation.

NEW BOOKS.

BUXTON (SYDNEY). *Mr. Gladstone as Chancellor of the Exchequer : A Study.* London : J. Murray. 1901.

[A review of Mr. Gladstone's work in finance, being an expansion of two articles contributed to the *Fortnightly Review* in April and May, 1901, and a conspectus, in convenient form, of material given in greater detail in different parts of the same author's larger *Finance and Politics*.]

FRANKLIN (JULIA). *Selections from the Works of Fourier*. London : Swan, Sonnenschein and Co.

FULLER (S. D.). *Charity and the Poor Laws*. London : Swan Sonnenschein and Co.

GUYOT (YVES). *The Sugar Question in 1901*. London : Hugh Rees.

MARTIN (JOHN WESLEY). *The Ruin of Rural England*. London : Simpkin, Marshall and Co. 1901.

PETAVEL (CAPT.). *A Coming Revolution*. London : Swan Sonnenschein. 1901. Pp. 98.

ROWNTREE (SEEBOHM). *Poverty : a Study of Town Life*. London : Macmillan. 10s. 6d.

THOMAS (D. LLEUFER). *Labour Unions in Wales : their Early Struggle for Existence*. Swansea : Watkins. 1901.

[A paper contributed to the Souvenir of the Trade Union Congress held in Swansea, September, 1901.]

WARREN (ALGERNON). *Commercial Knowledge*. London : J. Murray.

WELLS (H. G.). *Anticipations of the Reaction of Mechanical and Scientific Progress upon Human Life and Thought*. London : Chapman and Hall.

WOOD (S. T.). *A Primer of Political Economy : an Explanation of Familiar Economic Phenomena . . .* London : Macmillan and Co. 32mo. Pp. 143.

ADAMS (BROOKS). *America's Economic Supremacy*. New York : Macmillan. 1901.

CLARK (J. B.). *The Control of Trusts*. New York : Macmillan. 1901.

ELY (R. T.). *Rivalry and Success in Economic Life*. New York : T. Y. Crowell & Co. 1901. 35 cts.

GIDDINGS (F. H.). *Inductive Sociology : A Syllabus of Methods Analyses and Classifications, and Provisionally Formulated Laws* New York : Macmillan. 1901. 8vo. Pp. 302. \$2.

ROSS (PROFESSOR EDWARD A.). *Social Control*. New York : Macmillan Co.

SCHWAB (J. C.). *The Confederate States of America. A Financial and Industrial History of the South during the Civil War*. New York : Scribners. 8vo. Pp. 332. \$2.50.

ARTAUD (ADRIEN). Défendons-nous! Marseille: Flammarion. 1901. Pp. 540.

[Reprint of a series of articles published in newspapers of Southern France for the defence of commerce and industry against agrarianism and socialism.]

COLIN (AMBROISE). La Navigation commerciale au XIX siècle. Paris: Rousseau.

[A mass of interesting information on all the technical, economic and juridical modifications which commercial navigation underwent in the nineteenth century. The author is a professor in the *Faculté de Droit* Paris; the work was "crowned" by the French Institut.]

COLSON (C.). Cours d'Economie Politique. Tome I. Paris: Guillaumin.

[The first volume deals with labour questions. The substance of lectures given at *L'Ecole nationale des Ponts et Chaussées*, the work deals more especially with the applied science of economics. The mathematical theory, however, is summarily explained. The completed treatise will occupy three volumes.]

d'EICHTHAL (EUGÈNE). Socialisme, Communisme, et Collectivisme. Aperçu de l'histoire and des doctrines jusqu'à nos jours. Second edition. Paris: Guillaumin et Cie. 1901. Pp. viii. and 325.

LECOMTE (H.). Le vanillier: la culture, préparation et commerce de la vanille. (Bibliothèque des Cultures Coloniales). Paris: Naud. 1902. Pp. 224.

MOLINARI (G. DE). Les Problèmes du XX^e siècle. Paris: Guillaumin et Cie. 1901.

[The problems to be solved by the beginning century are the religious, the moral, the economic and the colonial problems, as well as the problem of individual and the problem of collective government. Material progress has far outstripped moral progress; in order to avoid decay a moral reform is necessary. It can only result from a treaty of peace between religion and science, faith and reason.]

SAINT-LEON (MARTIN). Le Compagnonnage. Paris: Colin. Pp. 374.

[Curious and picturesque descriptions of the organisation, the rules and rites, mysterious or ridiculous, of the ancient associations of workmen which the title designates, from their origin to the present day—for some still survive.]

SEIGNOBOS (CH.). La méthode historique appliquée aux sciences sociales. Paris: Alcan. Pp. 322.

[The author, a professor of history at the Sorbonne, seeks to demonstrate that the historical method is the only one applicable to the social phenomena. He is particularly interesting when he indicates the sources of error inherent in the study of such phenomena.]

SKARZYNSKI (LOUIS). Le progrès social à la fin du XIX siècle. Paris: Alcan.

[A summary review of all the institutions represented at the *Palais d'Economie Sociale* of the Paris Exhibition. The author was a member of the Russian Committee of Organisation.]

STRAUSS (PAUL). Assistance Sociale, Pauvres et Mendiants. Paris: Alcan.

TARDE (G.). *Psychologie économique*. 2 vols. Paris: Alcan.

[The author of the *Lois de l'Imitation* and of the *Logique Sociale* gives us here in two stout volumes the lectures delivered by him at the College de France during the past year. The purely subjective side of economic phenomena is illuminated by the author's brilliant imagination.]

THOUNAR (ALBERT). *Essai sur le système économique des primitifs d'après les populations de l'Etat indépendant du Congo*. Brussels and Paris: Guillaumin et Cie. 1901. Pp. 121.

[An interesting contribution to the study of primitive institutions.]

Handwörterbuch der Staatswissenschaften (by CONRAD, ELSTER, LEXIS, LÖNING). Jena. 1898-1901. Second edition.

[The seven volumes of the new edition of the *Handwörterbuch* (about 9000 pages of the largest 8vo) are now going to be completed by the appearance of the last volume.]

SCHUMACHER (HERMANN). *Zur Frage der Binnenschiffahrtsabgaben*. Berlin. 1901.

[This book, a larger part of which was previously published in the *Archiv für Eisenbahnen* (Berlin), contains a historic and dogmatic treatment of the question of water and canals tolls, in Germany and France. It originated from the preliminary labours of the Prussian Ministry of Public Works for the Mittelland Canal Bill; but gives weapons to the adversaries of the Government Bill, not to its adherents].

Vereins für Socialpolitik, *Schriften des*. Vols. 90-97. Leipzig. 1901.

[These are eight new volumes published by the Verein für Socialpolitik in Germany during this year, bearing on the questions of *Dwellings*, especially in large towns, and of the *Commercial Treaties*, now in preparation between the German Empire and most other countries. The same two questions were discussed at the Assembly of the Verein held at Munich during the days of 23-25 September last.

The next subjects, now in hand, are the waterways of Germany and their economic position as compared with railway transportation, &c., and the condition of working people at seaports and sea-going vessels].

WAGNER (ADOLF). *Finanzwissenschaft*. *Vierter Theil*. *Specielle Steuerlehre*. Leipzig. 1901.

[It is the second half of the large volume iv. of Wagner's *Finanzwissenschaft*, the first half of which appeared in 1899. It contains the details of the financial legislation of several of the smaller states of Germany, such as Baden, Hesse, Elsass-Lothringen, Mecklenburg, and of the German Empire as a unity besides the single states.]

ZANTEN (Dr. J. H. v.). *Die Arbeiterschutz gesetzgebung in den Europäischen Ländern*. Jena: G. Fischer. 16mo. Pp. 337.

Professor COHN's *The Science of Finance* has recently been translated into the Japanese language by Dr. Amano (Tokio). It is a translation of the American translation made by Professor Veblen for the University of Chicago (1895).

COSSA (EMILIO). *La teoria dell' imposta*. Milan: Hoepli. 1902.

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LORIA (ACHILLE). Valore della Moneta. Turin: Unione Tipografico-Editrice.

[A revised and enlarged version of the studies which appeared in the *Giornale degli Economisti* for 1890, and were in part republished by Bocca (Turin) in 1891.]

SUPINO (C. CAMILLO). Individualismo Economico. Roma: Bocca. 1892. Pp. 133.

ZIVARONI (JACOPO). Patrimonio e reddito in alcune nazioni civili. Torino: Rome.

Professor LORIA's *La Sociologia* [reviewed in the *ECONOMIC JOURNAL*, Vol. XI., p. 398], translated into German by Dr. Heiss, has been published by Messrs. Fischer at Jena.

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